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EDITORIAL

As We See It

Just a Little More Lincoln Day Oratory

We feel certain that all thoughtful citizens of this country have been depressed rather than heartened by the tenor of the Lincoln Day oratory which was poured forth at the weekend. Doubtless those who desire to do so can find isolated sentences or passages in the texts of almost any of the leaders which can be construed as forward looking and constructive—or could be if other sentences and other passages did not quickly follow which either cancelled out the apparent meaning of the others or rendered their meaning questionable.

Possibly, Harold E. Stassen came as near as any of them to pointing the way to firmer ground. Indeed one reads long passages from this address with a growing feeling that in this leader there lies hope. And yet, there comes a time when one is obliged to wonder. Let Mr. Stassen speak:

"Let us make clear," he says, "that if people are looking for a political party that will promise to everyone ever larger handouts from the public treasury, they should look elsewhere; that we hold that the public treasury is in reality the people's pockets, and that we will not seek to win votes by false promises nor by leading the country down that road that inevitably ends in a cheapened dollar and ultimate misery and suffering for all when resources are drained.

"Let us make it clear that if the people want a political party that will take over and politically dominate the medical professions in exchange for promises which the experience of Britain shows cannot be fulfilled, they should look elsewhere!

"Let us make it clear that if they want a

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Where Are We Going Businesswise?

By W. WALTER WILLIAMS*

Chairman of Board, Committee for Economic Development; President, Continental, Inc., Seattle, Washington

After reviewing postwar developments, prominent industrialist concludes economy seems to be in strong position, but foresees decline in automobile output and reduction in farmer's purchasing power. Points out frenzied period of private plant expansion has ended and, with Europe back on its feet, foreign competition is beginning to exert increasing pressure on U. S. Because of cold war, sees grave problems facing nation, and urges tax reform and more energy in promotion of business.

Do you remember in the early postwar period how with our eyes on the World War I postwar collapse in 1920, we kept wondering if something of the same sort would hit us? and when? Remember how we would talk about the "best advertised depression we ever had?" Well it didn't come on schedule, did it? On the World War No. 1 time schedule that is. It did finally come in the fall of 1948.

W. Walter Williams

Let us review some of the circumstances leading up to our late recession and to our present business status.

From our present vantage point, we can see that the postwar replacement boom reached its peak in the Fall of 1948. After November of that year, a recession from the peak levels of 1948 set in. This recession, which can be characterized as primarily an inventory recession, was also marked by a decline in farm prices and farm income. But a sustained high level of personal income and general demand kept the recession from deepening into a real depression, and left

*An address by Mr. Williams at the National Convention of the National Automobile Dealers Association, Atlantic City, N. J., Feb. 7, 1950.

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Trusts Continue Favoring Utilities in Final Quarter

By HENRY ANSBACHER LONG

Increased activity also finds natural gas, building, merchandising and non-ferrous metal issues retaining their popularity of the previous period. Profit-taking in oils begins to overbalance purchases, as tobaccos and office equipment equities are also sold. Most open-end funds add to cash balances.

Increased activity in the security markets during the final quarter of 1949 was reflected in a 25% expansion in the number of total portfolio transactions made by investment company managements over changes in the previous quarter. The utility issues continued as top favorites and accounted for 20% of the additions to portfolios excluding any shares acquired through the exercise of rights. Also among the most favored groups were the securities of natural gas companies, building, merchandising and non-ferrous metal corporations. There was a switch from the outlook of the previous three-months' period on chemicals and buyers predominated. On the other hand, although there continued to be a representative list of oil issues purchased, sellers took the ascendancy and 13% of portfolio liquidation was attributable to the petroleum group. Many utility stocks were also sold but, of course, they were far outweighed by purchases in this category. Tobacco and office equipment issues showed some concentrated selling, while other realizing was scattered throughout the list.

Henry A. Long

Although total activity was stepped up during the quarter and purchasing transactions exceeded sales, one should not be misled by over-all figures to conclude that bulls among the trust managers were running rampant. Far too often in economic and financial studies we are completely deceived by total or average computations. The greater part of the increased purchases during this period were made by a dozen funds, most of

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THE SECURITY I LIKE BEST—Turn to page 2 for this week's participants and their selections in the continuous forum conducted by the "CHRONICLE," wherein experts in the investment and advisory field name the security that they like best.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

This Week's Forum Participants and Their Selections

Socony-Vacuum Oil Company—Rob Roy Alexander, R. R. Alexander & Co., Cleveland, Ohio.

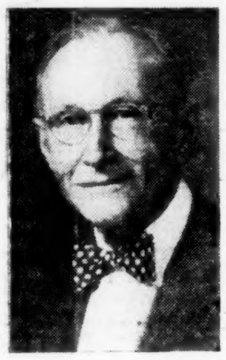
Brown & Bigelow—Stanley Heller, Stanley Heller & Co., New York City.

New England Gas & Electric Association—Carrol J. Hoffman, Draper, Sears & Co., Boston, Mass.

Texas Fund — Edward Rotan, Rotan, Mosle and Moreland, Houston, Texas.

Central States Electric Corporation 7% Preferred—Clarence E. Unterberg, C. E. Unterberg & Co., New York City.

ROB ROY ALEXANDER
R. R. Alexander & Co., Investment Counsel, Cleveland, Ohio


Rob Roy Alexander

My choice is a common stock. From my favorite group, I select Socony-Vacuum Oil Company. At least once a year for the past 25, I have tried in vain to pick the best 10 or 20 stocks. A list of 50 would omit many equally good. How can anybody pick Socony and leave out the other three great Standard Oils, or Gulf and Texas? Only because in financial strength, world-wide interest in every phase of the oil industry, including natural gas, assurance of growth, long, unbroken dividend record, Socony matches any. In price and income yield it usually holds a good edge.

As we think of our choice, we must have a contrast. Let us assume you are 65, have $100,000, which is still a good deal of money, and must retire. Would you buy for your security a refund annuity of $5,900, or a straight annuity for your life only of $7,800? Or set up a trust fund in a bank? Or put all your money into Socony, with a present income of $6,700, a reasonable chance for increased income and capital appreciation, and be able to leave your Socony to your heirs? A full answer would involve us in writing a brief for common stocks, which the space of this article does not permit. But, I am 65—at least—and I'll take Socony.

Socony, as justly deserving as any to be called a Rock of Ages, goes back to The Vacuum Oil Company, formed in 1866, and Standard Oil of New York, formed in 1882. Both were part of the Standard Oil Trust when it was dissolved in 1911. Thereafter they operated separately until 1931, when they merged into the present company. The unbroken dividend record is usually listed as starting in 1912, but nobody would suspect they didn't do all right in the previous years.

The 1948 statement shows net assets $1,443,000,000; debt, $175 million; gross income after costs and taxes, $219 million as compared with $106 million in 1937. Net worth per share for the 31,800,000 shares was $33.68 in 1948, $21.98 in 1938, an increase of 56%. Net earnings per share: $1.78 in 1937, $4.18 in 1948; average earnings for the past 10 years, $1.80 average dividend, 71 cents; average high of the past seven years, 20; average low, 12. Thus, at today's price of 16⅜ and dividend of $1.10, the yield is 6.70% and the price is in middle ground. For the 10 years 1932-1941 the average dividend was 55 cents, which has increased every year until at the end of 1948 it was 71 cents. To this stockholder of 50% Scotch ancestry, the management seems a bit stingy, being matched only by Gulf in the low percentage of earnings paid in dividends.

To pick stocks with better average dividends, or better growth prospects for the near future, would be easy, but not to pick one with the combined qualities we want for security. So, for pride of ancestry, robust health, and hope of posterity, I'll take Socony. It's listed on the New York Stock Exchange and, in my opinion is suitable for any investor.

STANLEY HELLER
Stanley Heller & Co., New York City


Stanley Heller

My experience with Brown & Bigelow, largest manufacturer of "Remembrance Advertising," is of particular significance because my appraisal of the issue was made in January, 1949 when the prices of almost all equities reflected a very high degree of uncertainty. The pure rate of return on capital, as indicated by long-term government bonds, was under 2½%. Brown & Bigelow shares were available to yield over 10%. I knew that the difference in yield was the market's opinion of the risk undertaken and I had to satisfy myself that the open market was mistaken in allowing the price to fall below 10 while the regular dividend rate was $1.00.

In calculating my risk I also took into account the fact that the issue was unseasoned. Only two years before, it was a privately held corporation which was recapitalized and sold in part to the public. The shares had only recently been listed on the New York Stock Exchange.

In my opinion, the price of the shares, slightly under 10, reflected an unfounded open market prediction of a dividend reduction from $1.00 to 50c per year. At the lower rate the stock would yield 5%, a more normal relationship in a 2½% money market. Earnings, at the time, were running at the rate of $2.00 per share and I felt that the management would not reduce the dividend unless earnings were cut in half.

While I was aware of the fact that the Federal Reserve Board Index of Industrial Production was headed downward, I felt confident that Brown & Bigelow's sales would be maintained at a high level. The company's sales were in a strong secular uptrend. A table of Brown & Bigelow sales, Personal Consumption Expenditures for the United States and the "Printer's Ink" Index of Advertising Expenditures provided the evidence. Between 1935 and 1948, the "Printers Ink" Index and Consumer Expenditures rose together, and stood at 290% and 282% respectively of their 1935-1939 average. Meanwhile Brown & Bigelow sales of "Remembrance Advertising" had increased to 700% of their 1935-1939 level.

The above considerations indicated that there would be sufficient earnings to protect the $1.00 dividend. This was strong evidence that the market price under 10 reflected a mistaken assumption that the $1.00 dividend could not be maintained. Therefore the stock was undervalued statistically.

The next consideration was to calculate the discount attributable to lack of seasoning.

My first visit to Brown & Bigelow in St. Paul, Minnesota, and interviews with Charles Ward, President, and other members of the management, was most gratifying. I found these men not only very capable, but also conscious of their obligation to the stockholders. The company's officers and directors showed a willingness to keep the financial community well informed. I subsequently took groups of security analysts to St. Paul so that they also could become more familiar with the company, and its operations. These analysts were well impressed by what they learned and it appeared that with this increasing interest, Brown & Bigelow would, in a short time, come to be highly regarded and thus the discount in value attributable to lack of seasoning would be reduced.

Increasing confidence in the dividend, and a growing awareness, on the part of security value appraisers, of the company's ability to earn and pay dividends, therefore, would result in the yield on Brown & Bigelow common stock to seek a lower level as the price rose.

During the past year, the price has increased and I expect that this tendency should continue. However, it is possible that the dividend may be increased and further capital appreciation is probable for Brown & Bigelow stockholders.

CARROL J. HOFFMAN
Partner, Draper, Sears & Co., Boston, Mass.

For all around purposes the security I currently like best is the common stock of New England Gas & Electric Association. The stock sells for about 15, pays a dividend of 90 cents to give a yield of almost 6%.


Carrol J. Hoffman

This security has many characteristics which make it adaptable to many different types of accounts:

(1) It is a good defensive security because of the stable nature of the company's operations and the more than adequate protection to its dividend.

(2) It fits the requirement of high yield desired by many accounts.

(3) It holds the promise of appreciation due to the gradual growth in load by the company, the promise of an increase in earnings for reasons, given later on, and a logical hope for an eventual dividend increase.

NEGEA is a one-degree holding company owning electric and gas properties in Massachusetts and New Hampshire. The well diversified territory served includes the cities of Cambridge, New Bedford, Worcester and Framingham, and

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In Opposition to the Frear Bill

Some of the opposition to the Frear Bill collated. SEC partial as between the listed and the Over-the-Counter Market. Its claim of objectivity insincere. Either market may in turn be an SEC victim. The American way of life is imperiled by regimentation through the Commission. SEC powers should be curtailed in the public interest and for the benefit of investors.

On those occasions when Harry A. McDonald, Chairman of the Securities and Exchange Commission, has said there is no opposition "in principle" to the Frear Bill we have felt one of two things was true—either he refused to see, or else he was talking with tongue in cheek.

This he has said on numerous occasions in drawing some artificial distinction between opposition to the Frear Bill and opposition to the bill "in principle." We recognize no difference.

We believe, and we have said, that there is a well-defined body of opposition to the Frear Bill and that the passage of that bill would be against the public interest and the interest of investors.

Which is the correct position? To what extent has our attitude been confirmed?

A subcommittee of the Senate Committee on Banking and Currency has been holding hearings on the bill and here is some of the opposition that has developed thus far. Eugene M. Thore, general counsel for the Life Insurance Association of America, wanted life insurance companies exempted from its provisions. Robert E. Lee Hall, counsel for the National Coal Association, said "The bituminous coal mining industry and the affected coal companies are opposed to the legislation . . ." ". . . we do not believe that the legislation is made necessary by any particular abuse or evil justifying action by the Congress at this time."

Similarly, the National Association of Manufacturers, in a letter sent to Senator J. Allen, Jr., of Delaware, sponsor of the proposed bill, expressed its opposition to the measure on the ground that it would "hamper and financially burden" small business. The letter, signed by NAM President, Claude A. Putnam, declared that "no need for this legislation has been demonstrated" and asserted that the legislation "goes far beyond" the intent of Congress when it approved the existing Securities Act.

Jay L. Quigley, Chairman of the Legislative Committee of National Security Traders Association Inc., an organization composed of 29 affiliates in the securities field, in voicing the attitude of his group, placed upon the record a resolution, the following part of which is strikingly significant, "Be it further Resolved, That Senate Bill No. 2408 (known as the Frear Bill) in its present form, would lead the investor to believe that it is entirely in his interest, whereas in our considered judgment it contains provisions that will deal a crippling blow to the 'Over-the-Counter-Market' thereby definitely injuring the source that produces the major portion of the new capital requirements of our Country."

For the American Cotton Manufacturers Institute, T. Frank Watkins, excoriated the bill. Speaking for its members he said, "They can ill-afford the expense of legal and accounting skill which would be required by this Amendment. Furthermore, they have a conviction that the requirements of this bill would not inure in any degree to the interests of their security holders. The vast majority of their security holders share this conviction."

The Maine and Ohio dealers associations are against this proposed legislation, and Cyrus S. Eaton, in a scathing denunciation of the Bill before the hearing Committee, declared that the SEC's approving report which is artfully labelled "A Proposal to Safeguard Investors in Unregistered Securities" would more appropriately be entitled "A Proposal to In-

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For a complete record of potential corporate financing consult our "Securities in Registration" section.

Sales Program of the Railway Express Agency

By E. W. HULL*

Assistant Vice-President—Sales, Railway Express Agency

After reviewing origin and growth of railway express services, Mr. Hull describes the Railway Express Agency's salesmen's training system and its program to get more business. Distinguishes between mass selling and selective selling and details methods of coordinating the two. Upholds incentives and quotas in sales management. Outlines nine principles of selling.

I think perhaps for the benefit of this discussion—and I hope we do have time for a little discussion—that I might give you a brief history of express transportation, not necessarily Railway Express, but of express transportation. I think the background would be most helpful to us.


E. W. Hull

The express business was started a hundred and eleven years ago by a young man just twenty-one years of age named William Harnden. He began the business by handling packages and making collections between Boston and Providence, and the only props he had, the only equipment he had at that time, was an old handbag, and all of his transactions were carried on in that handbag.

Now his earliest customers were bankers, and the larger business concerns which bought and sold goods just as our customers do today. In fact, one of his earliest advertisements, which appeared in a New York paper, told about his representation, his agent here, a man by the name of William Wyman at 2 Wall Street, just around the corner off Broadway.

That was a hundred and eleven years ago. Well, time went on and as the country expanded westward, the express business developed rapidly and, of course, it was linked in with those colorful episodes of that era, and so today it typifies and is symbolic of speed for the distribution of goods, and speed for the handling of Wall Street transportation needs.

In fact, today we have the ticker, so that transportation doesn't enter into the picture too greatly and in that way the communication is expedited.

But Harnden at one time did handle the market quotations, it is believed. He was the "ticker" of that day. He performed that type of transportation.

So the industry has grown and it has expanded and today it is just what the name indicates. It is the express agency, the Railway Express Agency of the Class 1 railroads of the country. These are 68 of the country's largest railroads, and Railway Express serves the nation through the coordination of all transportation facilities, including the trains, the trucks, the airplanes, and the steamships, all coordinated to give the shipping public an efficient and economical form of transportation.

With the passing of time, transportation has become one of the most competitive fields in industry today. That, briefly, was the history, and today transportation is pretty much the same as many other industries in a highly competitive field and in the position of the survival of the fittest.

Competition Means More Selling

So that leads us into the competitive market and the need for good, constructive selling. We tell our people: The more competition we have, the more incentive, the more interesting, and the more it gives us to work for, and I, myself, feel that way about it.

Today there are many carriers offering a service for the transportation and the handling of shipments, and these carriers, most of them, are vying for that same piece of traffic; so you see it is really a highly competitive field and it calls for real intelligent sales planning and direction.

Now, let me tell you, if I may, something about our personnel and the job we have to do in building employe interest and cooperation, thereby creating on the part of the shipping public a desire to use our service.

Railway Express has a personnel of about 50,000 employes, every one of whom has dedicated himself to providing the best kind of transportation that the shipping public can secure and to give them the best there is in transportation.

Without the support and the fullest cooperation of this vast and potential force, the efforts of our sales organization, which is a segment of this entire personnel, would be futile; therefore it is necessary that we not only think of a sales organization when we are building that personnel, but we must think of coordinating it with the entire organization because without that teamwork, without that effort of coordination, we would not get very far in our direct selling work.

Sales Training of Express Agency

To accomplish this, several approaches are followed. First, there is the training program, which is designed to give the employe a better understanding of his public and the ways he can help to build a better future for himself by better ways of handling the work entrusted to his care. You see, our product is a service, and therefore it becomes necessarily important that every link in the chain functions perfectly.

We believe that that can be accomplished only through proper direction, proper planning, and by educating the individual employe in what it means to him, in handling properly the shipment that is entrusted to his care. This training program is augmented by incentive plans, through which the employe has the opportunity to be acclaimed for his personal efforts as a person doing an outstanding job.

We feel that that is very important and that the individual should be given recognition for the job that he does. Then, there is the employe suggestion program, which is another outlet for the employe to express himself and to offer his suggestions for the improvement and betterment of the jobs that he is asked to do.

A Program to Get More Business

We believe that our employes who meet the public are the real business-getters and therefore we endeavor at all times to improve the ability of our personnel who deal with the public. We are constantly trying to find ways and means to do that better.

For example, we launched this month a program that will embrace every employe in this organization. It is built around the theme—"Make it your business to ask for their business" and every conceivable element has been brought into play to give life to that program. It was launched yesterday throughout these United States by having the employes assemble, as you and I are here now, at their various locations where they may be employed and then telling them what the program is, the purpose of it, and how they can participate and how through that program they can help their own interests.

One of the things they are being asked to do is to wear a badge on their lapels throughout the months of February and March which says that they are asking for business, and they ask that they be given the privilege of handling the traffic.

That was a provocative idea, something that will provoke discussion and will give the employe, even if he doesn't ask for business, an opportunity of saying something about the services that he is selling.

Mass Selling vs. Selective Selling

Now that, gentlemen, is mass selling and the reason I am telling you about it is to give you the idea of what a mass selling job is as compared to a selective selling job. But in an organization like Railway Express, it takes the coordination of the two to do an over-all job.

The selling efficiency of the regular selling organization requires, first, information — very definitely, information. Secondly, education. Thirdly, selling tools and methods; and now let me give you, if I may, just a brief definition of these three elements.

One: As we apply information it requires a reasonable market survey or data on information or facts about the Railway Express and the competitive services.

Two: The education is the

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*Stenographic report of lecture by Mr. Hull, 18th in a series on Investment Salesmanship sponsored by Investment Association of New York, New York City, Feb 2, 1950.

Evils of Our Irredeemable Currency System

By WALTER E. SPAHR

Executive Vice-President, Economists' National Committee on Monetary Policy; Professor of Economics, New York University

PART I

Asserting an irredeemable currency, regardless of type, is a debauched currency, Dr. Spahr contends it has been means of depriving people of power to exercise control over public purse and, in addition, enables government to purchase support of pressure groups. Says present U. S. currency system invites Socialism and is cause of government crippling of private enterprise in foreign trade and exchange.

"There is no subtler, no surer, means of overturning the existing basis of society than to debauch the currency." — KEYNES.

Writing in 1919, John Maynard Keynes, of Kings College, Cambridge, said in part in his book, *The Economic Consequences of The Peace* (Harcourt, Brace and Howe, New York, 1920), pp. 235-238: "Lenin is said to have declared that the best way to destroy the Capitalist System was to debauch the currency. By a continuing process of inflation, governments can confiscate, secretly and unobserved, an important part of the wealth of their citizens. By this method they not only confiscate, but they confiscate *arbitrarily*; and, while the process impoverishes many, it actually enriches some. . . .


Walter E. Spahr

"Lenin was certainly right. There is no subtler, no surer, means of overturning the existing basis of society than to debauch the currency. The process engages all the hidden forces of economic law on the side of destruction, and does it in a manner which not one man in a million is able to diagnose.

". . . But further, the Governments of Europe, being many of them at this moment reckless in their methods as well as weak, seek to direct on a class known as 'profiteers' the popular indignation against the more obvious consequences of their vicious methods. The 'profiteers' are, broadly speaking, the entrepreneur class of capitalists, that is to say, the active and constructive element in the whole capitalist society. . . . By directing hatred against this class, therefore, the European Governments are carrying a step further the fatal process which the subtle mind of Lenin has consciously conceived. The profiteers are a consequence and not a cause of rising prices. By combining a popular hatred of the class of entrepreneurs with the blow already given to social security by the violent and arbitrary disturbance of contract and of the established equilibrium of wealth which is the inevitable result of inflation, those Governments are fast rendering impossible a continuance of the social and economic order of the nineteenth century. But they have no plan for replacing it.

"We are thus faced in Europe with the spectacle of an extraordinary weakness on the part of the great capitalist class, which has emerged from the industrial triumphs of the nineteenth century, and seemed a very few years ago our all-powerful master. The terror and personal timidity of this class is now so great, their confidence in their place in society and in their necessity to the social organism so diminished, that they are the easy victims of intimation. This was not so in England twenty-five years ago, any more than it is now in the United States. Then the capitalists believed in themselves, in their value to society, in the propriety of their continued existence in the full enjoyment of their riches and the unlimited exercise of their power. Now they tremble before every insult;—call them pro-Germans, international financiers, or profiteers, and they will give you any ransom you choose to ask not to speak of them so harshly. They allow themselves to be ruined and altogether undone by their own instruments, governments of their own making, and a press of which they are the proprietors. Perhaps it is historically true that no order of society ever perishes save by its own hand."

Subsequent events and the application of so many of the Keynes observations to practices now being pursued in the United States justify careful weighing, by all thoughtful and concerned people in this country, of those important truths stated by Keynes in 1919.

We have an irredeemable cur-

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The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

Moderate declines marked the course of total industrial production the past week. This tapering-off in output was not unexpected, since it was influenced in part by a noticeable falling off in soft coal output as mine walkouts continued to spread. Compared with country-wide industrial production a year ago, output last week registered a slight contraction in volume.

In keeping with recent trends in kilowatt output, the electric power industry the past week established a further new all-time high record in the industry's history of 6,062,095,000 kilowatts.

The electric power companies' coal reserves are for the most part adequate, but this, unfortunately, is not true of manufacturing and domestic consumers.

* * *

Despite the threat of waning stockpiles of bituminous coal present in January and stemming from the walkout of soft coal miners, the steel industry managed to chalk up a record in that month of 7,904,585 tons of steel, the highest monthly total since March, 1949, according to the American Iron and Steel Institute.

January output compares with a revised total of 7,717,258 tons of ingots and steel for castings during December, 1949, and 8,183,495 tons in January, 1949.

Steelmaking furnaces were operated during January at an average of 93.6% of the steel industry's new capacity, 99,392,800 tons a year.

* * *

Discussing the coal situation, the February "Monthly Letter" of The National City Bank of New York states: "The issues and principles are fundamental. Assuming that Mr. Lewis, since coal stocks have been reduced to a point where he feels he has recaptured his bargaining power, will now bargain in good faith, he should not be allowed again to usurp the function of management to the extent of saying how many days a week a given mine is to be allowed to operate."

For the latest period, the week ended Feb. 4, soft coal output amounted to 6,540,000 tons, the United States Bureau of Mines reports. This compares with 7,500,000 tons in the previous week and 11,385,000 tons in the week ended Feb. 5, 1949.

A 20 to 30 point drop in steelmaking within two weeks threatens unless coal supply improves quickly, "Steel," national metalworking magazine, states in its current issue. That is the prediction of steel authorities as the paralyzing effects of the coal strike spread. Additional blast furnaces have been banked. Coking operations are being curtailed further. Further sharp cutbacks in iron and coke production will come this week should the coal impasse continue. Steelmaking is only slightly affected so far. But ingot operations retrenchment appears certain with freight shipments slowing down due to reduced train schedules, and manufacturing operations threatened by power shortages.

Government action in the coal dispute the present week was held in abeyance as John L. Lewis and the soft coal operators prepared to resume their contract talks on Wednesday. It was reported that the Justice Department was ready to give the 375,000 striking miners one week to comply with a Federal Court back-to-work order. This directive was issued last Saturday under the Taft-Hartley Act. Few if any of the strikers chose to obey it on Monday of the current week.

Some observers said this continuance of the banned walkout was not conclusive evidence that the miners plan to ignore the court order. They explained that the coal diggers traditionally take a day off for February 12—Lewis' birthday as well as Lincoln's. In Pittsburgh, some soft coal operators predicted Lewis would take action within the next 24 hours or so which would end the strike.

Meanwhile, freight and passenger service on American railroads was sharply curtailed to conserve the "dangerously low" supply of fuel coal.

The Interstate Commerce Commission on Wednesday of last week ordered passenger service on trains using coal-burning locomotives to be cut to one-half of the mileage operated last Dec. 1. It also ordered a 25% reduction from the total coal-burning freight locomotive mileage operated on Wednesday a week ago.

The Association of American Railroads said these orders will result in a 13.5% reduction in the nation's passenger service and an 11% cutback in freight service.

A late development in the soft coal strike was the action taken on Tuesday of this week by the New York State Legislature authorizing Governor Dewey to ration coal throughout the state.

* * *

On Friday, last, the Department of Commerce stated that corporations in this country paid cash dividends of $6,495,800,000, the largest amount in history, in 1949. This was 7% more than the 1948 dividend payments of $6,093,700,000.

It also disclosed that dividend payments in the last month of 1949 totaled $1,497,400,000, an increase of 14% over the $1,318,900,000 reported for December, 1948. The size of the December increase, the department revealed, reflected principally the sharp increase in dividend disbursements by one large automobile firm. It was understood that the company referred to was the General Motors Corp.

STEEL OPERATIONS SCHEDULED TO SHOW FURTHER MILD CONTRACTION THIS WEEK

Steel producing and fabricating plants this week are scheduling a high rate of manufacturing according to "The Iron Age,"

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Capital Flotations in 1949 Show Marked Decline From 1948

In the Monday, Feb. 13 issue of "The Chronicle," a complete Annual Summary of Corporate, Foreign Government, Farm Loan and Municipal financing in the United States for the Year 1949 is given.

Besides this five-year comparative summary, the compilation includes a detailed list of the underwriting houses, banks and insurance companies which participated in the placement of the "December" flotations of securities in keeping with our regular monthly practice.

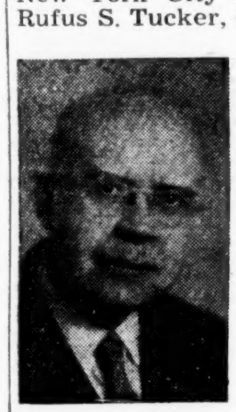
Additional data and comments regarding the sale of securities placed through private channels, United States Treasury financing and other desired vital statistics are also included in this yearly compilation.

The data shows that financing last year fell far short of the total recorded in 1948.

Economist Foresees Dip in Auto Output

Rufus S. Tucker, Economist of General Motors Corp., tells Trade Association Executives war-deferred demand will end about mid-1950.

Speaking at a meeting of the Trade Association Executives in New York City on Feb. 14, Dr. Rufus S. Tucker, economist of the General Motors Corporation, predicted that, by mid-1950, the war-deferred demand for automobiles will have been fulfilled and a dip in production and sales may come about.


Rufus S. Tucker

Dr. Tucker said it might be expected that the industry should produce more than 6,000,000, but if production fell below 5,000,000 cars and trucks this year, it would be principally because of the coal strike. Last year's output reached 6,200,000 units.

Notwithstanding this dip in automobile production, Dr. Tucker predicted a high degree of economic activity in the first half of 1950 because of still large demand for goods and services, the filling of demands delayed by strikes; and the spending of soldier bonus funds. He pointed out, however, that a considerable portion of the bonus funds may be spent in paying off debts, such as house and automobile purchases, rather than going into new spending. Such a development would be good for the general economy since further consumer credit expansion would thereby be impeded.

With Shearson, Hammill

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CAL.—William Kraus and Henry J. Tenaglia have become affiliated with Shearson, Hammill & Co., 618 South Spring Street. Mr. Tenaglia was formerly with Daniel Reeves & Co. and Fairman & Co.

Link With Harris, Upham

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — Frank Link has joined the staff of Harris, Upham & Co., 523 West Sixth Street. Mr. Link was formerly in the trading department of Fairman & Co.

Point Four "in Court"

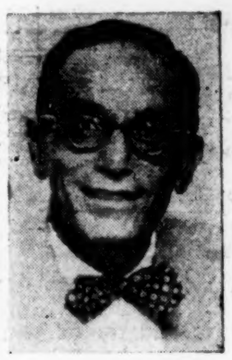
Where it is contended that the President's Program would involve contradiction between investment standards and State Department motivation; that it is unnecessary for foreign countries who really want American technical advice and capital. In lieu of "Point Four" proposals it is urged that: worldwide trade and higher living standards depend on cooperation of the peoples concerned; the many threats to investors be abolished; tariffs be reduced all-around; and foreign governments institute honest currencies.

Following is the "testimony" of "expert witness" Joseph Stagg Lawrence, Vice-President Empire Trust Co. of N. Y.; under questioning of "counsel" A. Wilfred May, Executive Editor of the "Commercial and Financial Chronicle," and facutly member of the New School—on "The Court of Current Issue" program broadcast over Dumont WABD TV network, Jan. 31, 1950.

Question by Mr. May: What is Point Four?

Answer by Mr. Lawrence: Point Four may be defined as part of the Administration's program to combat world-wide communism. The theory on which it rests holds that tensions arising from economic pressures provide the breeding ground in which the germs of communism proliferate.


Jos. Stagg Lawrence


A. Wilfred May

The cure for this condition, as contemplated by Point Four, is to provide American capital and technical know-how to underdeveloped areas of the world. Such aid, it is argued, would permit these areas to realize a higher percentage of their own economic potentials. In this way they will attain higher living standards and develop resistance to communist blandishments. The Kee Bill, introduced in Congress in January, presents the Administration point of view. It establishes a Commission to supervise the operation of Point Four and outlines, in somewhat vague fashion, the procedures.

In its preamble the Bill at once reveals its major purpose, i.e., "to promote the foreign policy of the United States." Further along, the Kee Bill, in outlining the qualifications of applicants for aid, states that such qualifications may or should include an inability to borrow money on reasonable terms elsewhere. Finally, the Kee Bill fails entirely to reveal the possible cost of Point Four to the American public. It merely provides that the President

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Amending the Securities Laws—The Frear Bill

By HARRY A. McDONALD*
Chairman, Securities and Exchange Commission

SEC Chairman endorses Frear Bill to equalize obligations of listed and unlisted companies, stating that the existing double-standard "just doesn't make sense." Declares most of fraud cases occur in unregistered securities. Justifies compulsion for corporate officers, directors and controlling persons to file information regarding transactions in their company's securities, and to account for short-term profits.

Let's talk about some "news of the week." The Frear Bill is news, and I'd like to discuss it with you tonight. A subcommittee of the Senate Committee on Banking and Currency has been holding hearings on the bill. President Truman has endorsed the bill in letters to both houses of Congress. I had the honor of making the opening statement in support of the bill. I believe definitely in the basic merits of the bill.

Harry A. McDonald

What is the bill, and why do we need it?

In short, the bill would extend to all investors in large companies with substantial investor interest certain protections which the law gives today only to investors in listed securities or in certain specially regulated companies.

The Obligations of Exchange Listing

Under the law today a company that seeks to give its security holders a listed auction market on an exchange undertakes the following obligations for the protection of its investors:

(1) It files initial, periodic and current information about its financial affairs so that trading can be on an informed basis.

(2) It gives the voting stockholder a statement that tells him what his proxy is being solicited for, and the proxy gives the stockholder a chance to vote for or against proposals submitted.

(3) It gives the stockholder a chance to get his own reasonable proposals before fellow holders and to support his proposals through the proxy machinery.

(4) Officers, directors and controlling stockholders have to disclose their trading in the company's stock—so that the investor has some idea of what the insiders are doing.

(5) In order to prevent abuse of inside information the law gives the company the right to recover profits made by insiders in short-term trading in the company's stock, and insiders cannot sell their company's stock short.

The Double Standard

In my testimony before the Senate I called these protections the Magna Charta of stockholders' rights. But this Magna Charta today protects only those investors who hold listed securities or securities of public utility and investment companies specially designated by statute. This seemingly double standard just doesn't make sense. No matter how big a company may be or how extensive may be the public investment in it, the public is deprived of these protections, and the company need not make these disclosures unless the security is listed or is specially regulated.

The Frear Bill would do away with this difference in treatment. It would apply these protections to all investors in companies having $3,000,000 or more in assets and 300 or more security holders.

Why do we need this legislation? If all that could be said for it is that it equalizes the application of regulation that would not be enough. The crucial fact is that this regulation is based on real need and affords real protections. Most of the fraud cases we pick up are in unregistered securities, and many of them would have been avoided if the requirements of the Frear Bill had applied.

Some Cases of Insider Abuse

Periods of rapid economic change like those which have marked the war and post-war periods are fertile grounds for over-reaching. The cases I am going to cite are not typical. On the contrary, they are rare. But they illustrate what can be done under the veil of secrecy. In one case, on the eve of a merger, members of management were buying in shares of their company at prices ranging from $3 to $6 a share while they were negotiating to transfer their own shares at $45 per share. While they were paying from $3 to $6 a share, the stock was earning over $15 a share.

In another case the president of the company was offering to pay his own stockholders $2 a share for their stock when the net current worth alone, disregarding all fixed assets, was $16 a share and the book value was $40 a share. True, the company published a balance sheet. But it did not disclose the number of shares outstanding and, therefore, no investor could figure out his per-share position.

There are cases of systematic bleeding of companies by insiders that are nothing short of shocking. Several promoters instituted a small loan company financed almost completely by public investors. Before long the company went into bankruptcy and the reason was simple. Within a short time the promoters had borrowed about $750,000 from their own company. These same promoters later formed a collection agency and charged their own company 33⅓% to collect payments on its loans. They caused the loan companies to loan the bad credit risks so that—in turn—this agency might collect and receive a commission.

As I said, these cases are not typical. But they are real; they are actual—and their facts are such that they would not have happened if the Frear Bill had applied. Current reliable information, decent proxy disclosure, disclosure of insiders transactions would have flagged these frauds at the outset—and the need to disclose, itself, would nip in the bud many schemes such as these.

The outright fraud is not, by far, the most important area in which we hope that the bill will do its clean-up job. Many accounting, reporting and trading practices stop short of fraud but have the same effects. In the hands of an expert, a balance sheet or income statement is like a musical instrument. He can make it play any tune he wants. If his operations show losses, he can show a profit by running his losses through the surplus account rather than the income statement. If his profits are embarrassingly high and he wants to conceal them, he can create miscellaneous reserves and treat his reserve allocations as expenses.

"Plastic Surgery" on Financial Statements

The financial statement on which plastic surgery has been performed may look good to the uninitiated, but if we want the financial statement to be a reflection of reality rather than of someone's idea of what looks good, we must have sound accounting principles uniformly applied and enforced.

And that is what the S. E. C. would do under the Frear Bill. We estimate that about 1800 companies would be fully covered by all the provisions of the bill. We estimate further that investors in about $19 billions of their securities would become covered by its protections. I can think of nothing more important than that investment in securities be based upon reliable and current information.

To the experienced corporate politician a free hand at the controls of an unregulated proxy machinery is the guarantee of a life-time job. With investments in our large enterprises scattered among many holders, geographically remote from the central offices and places of business of their companies, the proxy machinery is either an instrument of corporate democracy or autocratic control—depending on its use.

Even today, many proxies are solicited without affording even meagre information to security holders about what issues are to

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*A talk by Chairman McDonald before the Financial Writers Association, New York City, Feb. 9, 1950.

Why the Frear Bill Should Be Defeated!

Ewing Boles appearing before Senate Committee on Banking on behalf of Investment Dealers of Ohio, attacks proposed measure to extend powers of SEC as unnecessary and defective. Holds progressive corporations in recent years have increased efforts to facilitate knowledge of their standing and management to shareholders. Cites defects in Frear Bill and concludes what is needed is not more information but greater simplification of information already presented to shareholders. Holds small companies would suffer under Bill because of knowledge of their affairs given competitors.

Appearing on behalf of the Investment Dealers of Ohio before the Subcommittee of the Senate Committee on Banking and Currency in Washington on Feb. 9th, Ewing Boles presented a statement in opposition to the Frear Bill, the measure which would extend the jurisdiction of the Securities and Exchange Commission over all corporations having assets of $3 million or over, and having more than 300 securities holders. Mr. Boles, who is also President of the Ohio Company, security dealers, Columbus, Ohio, also answered questions put to him by members of the Subcommittee.

Ewing Thomas Boles

The full text of Mr. Boles' statement and testimony follows:

My name is Ewing Boles. I am appearing in behalf of the Investment Dealers of Ohio, of which I am the President.

This organization is made up of investment dealers doing business in Ohio. The list of some 60 members is attached to this statement.

I might say, Senator, that these dealers are for the most part small investment dealers, as contrasted with the larger underwriting houses. I would also like to make it clear that I know Mr. McDonald, Chairman of the SEC, and I know Mr. Paul Rowen, a member of the SEC. I think they are estimable gentlemen of the highest character and sincerity. From all that I know of the other members of the Commission, I have the same high regard. Anything that I say here that may differ greatly from the ideologies expressed in this bill is therefore not of a personal nature, but of a nature that I think is necessary to be expressed in behalf of the small dealers and of the small corporations.

One of the members is the Ohio Company, Columbus, Ohio, of which I am President. However, it is principally in behalf of the Investment Dealers of Ohio, Inc., that I make this statement.

We are interested in this bill because Ohio is a state of many, many small industries which will or may be affected by the bill. My firm and other members of our organization have supplied capital to these small industries in our state.

This has been done by buying bonds, debentures and stocks from corporations and selling them to our customers. Our securities firms form a financial lifeline link between Ohio's small industries and the thousands of investors whose savings make up the capital of Ohio's smaller corporations.

It would be our natural desire to encourage and support any necessary additional protection for investors because they are our customers. At the same time we would feel it our duty and moral obligation to oppose any unnecessary burden on our Ohio corporations, both for the protection of the corporations and of our customers, the shareholders.

We believe that if our views are to be helpful to this Committee we should state our position as directly and briefly as possible.

First of all, because there has appeared in the press numerous statements regarding the bill, and referring to the bill as affecting corporations of $3 million assets and 300 stockholders, I would like to give you my definition of a stockholder and of a security holder, because they are very different.

A "shareholder" is the owner of preferred or common capital stock and is therefore a part owner of the business.

A "security holder" may be a shareholder, but the term also includes the holders of bonds, debentures, notes and other debt securities—thus, "security holder," is a much broader term and includes persons who may only be a creditor of the business and may not be one of its owners.

Generally, our comments with respect to the proposed legislation fall into two main categories.

First, is there a real necessity that such a bill be enacted into law? That is, does it accomplish the safeguarding of investors in unregistered securities?

Secondly, if any necessity for the legislation does exist, what are the defects, if any, in the proposed bill and how may the bill be improved to accomplish desired objectives?

Bill Is Unnecessary

Let us first turn our attention to the necessity for S. 2408. The stated objective of this bill is the supplying of financial information to shareholders.

The underlying theme of the SEC's reports supporting its proposal to extend its powers and jurisdiction is that the legislation now before you will make the financial books and records of corporations available to shareholders. In its argument the SEC assumes that such information is not now available to shareholders. You will note that the 1950 supplemental report to Congress concludes with this statement summarizing the SEC position: "The question proposed by the legislation is not whether such records should be maintained, but whether they should be made available to the stockholders—the owners of the enterprise."

Contrary to the SEC's statement of position, it is respectfully submitted that, for the most part, financial information concerning their corporation already is available to shareholders. We have been advised, reliably, we believe, that it is the common law rule, applied generally by our state courts, that every shareholder of a corporation has the right by reason of his proprietary interest to inspect and examine the books of such corporations at all reasonable times and places and for proper purposes.

Also, the statutes of most states provide specifically for the right of examination of books and records and many states require that annual financial reports be submitted to shareholders. This is the

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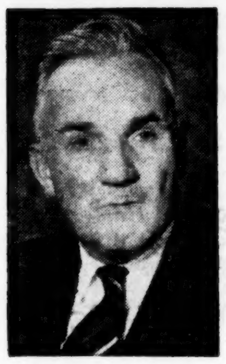
From Washington Ahead of the News

By CARLISLE BARGERON

It is probably no more than coincidental that the celebrated Fuchs spy case should develop just at the time J. Edgar Hoover is trying to get an appropriation from Congress for several hundred additional FBI agents. But it is a fact that this consummate politician is not averse to making as much capital out of the case as possible.



Carlisle Bargeron

With his usual adeptness he was right there prominently in the first stories of Fuchs's arrest. The first paragraph would be devoted to telling of the arrest and the second one would give credit to J. Edgar for bringing it about. The FBI had first tipped off the British, so the stories went, and had been working with them for months. Fuchs, of course, had been operating since 1945.

I don't know, but there was a passage in Fuchs's confession read to the British court that struck my eye. From this passage it seems that Fuchs himself was responsible for the disclosure. His father was being transferred from the Allied Zone of Germany to a professorate in the Soviet Zone. Fuchs asked his superiors if this would change his status. The superiors got to thinking about this man's background, apparently for the first time, one thing brought on another and then bing, another sensational spy case.

In any event, J. Edgar will get his additional men. Very likely he would have gotten them anyhow. Congress seldom denies him anything he asks for. His appropriations go through untouched while those of practically every other branch of the government are cut or tampered with by either the House or Senate. Undoubtedly it is his own restraint that has kept FBI from becoming an even bigger octopus than it is.

As one editor has expressed it, it is a tragedy of the conditions under which we are living, that we must seem to advance more steadily towards the police state to deal with them. We are certainly advancing that way in the continual enlargement of the FBI.

What worries me most is its hold over Congress. The alacrity with which members go out of their way to accommodate the agency, to praise it, is not altogether because of their admiration for its accomplishments. In my opinion there are too many of them who are afraid of it.

Also, the FBI occupies an anomalous position in the national politics. You are frequently hearing charges that Mr. Truman is harboring communists in the government but the accuser will invariably go out of his way to say it's not the FBI's fault, its hands are tied. If any facts and figures are cited it is more than likely they were gotten from an FBI source. All through its years of operation the House Un-American Activities Committee complained bitterly, and justifiably, at its treatment by the Executive branch from the President all the way down. But the FBI was an exception, the committee frequently said. Always they had got its cooperation. You wonder how this could have been so with the President and his Attorney General openly hostile. The answer is that J. Edgar knows how to play his cards. Some of the juiciest tidbits against the Administration which opposition Senators have picked up were slipped to them by the FBI.

An organized group of leftists is just now conducting an active crusade against the FBI. I certainly don't want to be playing their game but it does strike me that some consideration should be given to the agency's steady growth and its manifest ability for untold harm.

Hundreds of FBI alumni have gone out into key positions of industry. The FBI is their alma mater and J. Edgar their hero. They keep together through a fraternity and are always ready to pitch in for the dear old school.

It is more than passing strange that both sides of the political fence seem to take comfort out of the periodic spy sensations. The Republicans are tickled because they reflect upon the Administration; they fit in with their charges the Administration harbors communists or is too lenient with them.

On the other hand, the Administration, the New Dealers and leftists generally appear not the slightest annoyed. The sensations focus attention on the atomic and hydrogen bombs, make the people more frightened about Russia and therefore give support to the Administration's spending to "contain" communism. The sensations tend generally to build up a national despair which the leftist columnists and commentators are forever developing. The whole leftist movement has, of course, thrived in this atmosphere. Theirs has been a steadily organized drive to make people feel helpless, to become utterly dependent upon the government. The government may have gotten us into an awful mess, there may be no rhyme or reason to its current conduct—but who can do better. The only thing we can do is to go on despairing; there is a tremendous, assiduous propaganda urging us to go in for deeper despair.

The more bungling on the part of the government, the more planning we must have by that government. The more adversity for the American people the planners can create, the better off these planners appear to be; the more national grief they can cause, the tighter their political hold. Verily, we are living in times that defy the imagination.

With Mitchum, Tully Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Carl G. Gerhart is with Mitchum, Tully & Co., 650 South Spring Street.

With J. A. Hogle & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Meade F. White has joined the staff of J. A. Hogle & Co., 507 West Sixth Street.

Frear Bill Is Unwarranted Extension of SEC Power

By CYRUS S. EATON*

Industrialist and Banker, Cleveland, Ohio

Prominent industrialist, contending proposed Frear bill to enlarge powers of Securities and Exchange Commission is for purpose of boosting stock exchange business, attacks SEC regulations as threat to initiative and accomplishment. Denies holders of unlisted securities desire or are benefited by expensive bureaucratic intervention, and contends SEC regulations have depressed securities values, thus injuring investors.

As industrialist, banker and farmer, I have constant relationships with departments and agencies of the Federal Government.

Cyrus S. Eaton

From my close personal knowledge of the Securities and Exchange Commission since its inception some 15 years ago, I should today like to present to this Committee my views on Senate Bill 2408 to amend the Securities Exchange Act of 1934.

The SEC's Supplemental Report of Jan. 9, 1950, like the original Report of June 19, 1946, is artfully labeled "A Proposal to Safeguard Investors in Unregistered Securities." A more appropriate title would be "A Proposal to Increase the Business of the New York Stock Exchange and to Expand the Hamstringing Activities of the SEC."

The New York Stock Exchange has been operating at a loss. The Big Board would therefore welcome with open arms the additional listings that most certainly would come its way on passage of the proposed legislation. So Senate Bill 2408 has the unstinted blessing and support of the Big Board and its business-hungry brokers, as well as the powerful law firms and publicity agencies that act as their master minds.

The Stock Exchange is looking for a new president, and it is no coincidence that the two candidates under most active consideration for the $75,000-a-year post are James J. Caffrey and Edmond M. Hanrahan, both former Chairmen of the SEC who left the Commission for lucrative private law practice in Wall Street. The Big Board figures that it will be all set with Senate Bill 2408 on the books and with a president who has an inside track with the SEC.

SEC Regulations Are a Threat to Initiative and Accomplishment

The SEC's eagerness for passage of this Bill to extend its powers is as readily understandable as its recent decision to postpone indefinitely the presentation to the Congress of measures to simplify the Securities Act of 1933 that have been under deliberation for a decade. As Senator Paul Douglas said about the bureaucrats, "No pressure group is more persistent or more skilled in the technique of getting what it wants. And in common with the others, it always wants more, and more, and more." And as Senator Douglas concluded, ". . . if they got all the money they want, approval of all their plans and authority to carry them out, government as we have known it in this free country would disappear. Enthusiasm, initiative, accomplishment would be suffocated under a mass of regulations. . . ."

In this year when concern for the taxpayer and economy in government constitute the keynote of Congress, it would seem singularly inappropriate for the SEC to be embarking on a new regulatory venture that would require additional personnel and funds.

To believe the SEC's original and supplemental reports on the Bill under consideration, one would have to assume that the officers and directors of all corporations have no other aim in life than to defraud their stockholders, and that only by registration with the SEC can corporate officials be kept honest. This is, of course, sheer nonsense. America owes its industrial might to the men of management, no matter how much the SEC may malign them, and no report ever filed with the SEC ever added one cent to any stockholder's equity. For examples of the harm that may come to investors from reports required by the SEC, I should like to refer you to an illuminating analysis of the proposed legislation by James Murray in the July 4, 1946 "Commercial and Financial Chronicle."

Stockholders Do Not Yearn for Benevolent and Expensive SEC Intervention

Looking over the roster of companies studied by the SEC in the preparation of its Supplemental Report, I was interested to find the name of The Sherwin-Williams Co., of which I have been a director for a quarter of a century. This Cleveland institution, which has been in business almost 85 years, is the world's largest and most successful paint manufacturer. Its financial policies are conservative, and its securities are in the bluechip class. Sherwin-Williams has been frequently importuned by New York Stock Exchange houses to list its securities on the Big Board, but has always declined. Despite the SEC's ardent desire to dictate to the Sherwin-Williams management, the 5,000 satisfied common and preferred stockholders of this great Cleveland company are not yearning for the benevolent, and expensive, intervention of the Commission on their behalf.

I am also a director of another venerable Cleveland company, whose securities are listed on a national stock exchange and are therefore registered with the SEC. This is the 100-year old Cleveland-Cliffs Iron Co., the nation's leading independent iron ore company. Four years ago, we undertook to bring about a simplification of the company's capital structure by a union of the company with its wholly owned subsidiary. It took six months of agonizing work on the part not only of the company's own personnel, but also an imposing battery of costly outside legal and accounting talent, to work out a procedure satisfactory to the SEC. The resultant proxy statement ran to the unbelievable total of 89 pages, which assuredly not one stockholder in a hundred read even in part. The expense per shareholder of the outside legal work alone I estimate at approximately $10, and I am willing to wager the more than $100,000 involved that each shareholder would have preferred to receive a ten-dollar bill instead of the SEC-prescribed proxy statement.

SEC Regulations Have Depressed Securities Values

One of the SEC's claims for the proposed legislation is that it may "spur legitimate investment in equity securities." The spuriousness of this contention is illustrated by the give-away prices at which many stocks long listed on national exchanges and registered with the SEC are selling in the market today. As examples, consider two more old Cleveland industrials, National Acme Co. and White Motor Co. Their stocks, which are traded on the Big Board in New York, have a market value substantially less than their net quick assets. In other words, the market place puts less than no value on the physical properties and facilities of these great manufacturing companies, one the builder of vital machine tools and the other the maker of important heavy trucks.

Suppose that some merchant of securities considered that National Acme and White Motor stocks were bargains, and decided to buy blocks of them for redistribution to investors. If, in the process of the securities dealer's buying, the market on these securities advanced slightly, as doubtless would happen, the SEC would promptly accuse the dealer of committing a crime and would threaten him with imprisonment.

SEC Powers Need Curtailment Rather Than Extension

The SEC has cited the piecemeal fashion in which Federal securities regulation was built up, from 1933 through 1940, as a reason why Senate Bill 2408 should be adopted. My own view is that this is a reason for a complete

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*Statement by Mr. Eaton before Subcommittee of the Senate Committee on Banking and Currency, Washington, D. C., Feb. 10, 1950

Anti-Trust Suits And Investment Values

By HOWARD F. VULTEE

Vice-President, The Marine Midland Trust Company of New York

PART III—Current Anti-Trust Cases

Mr. Vultee states most current suits were initiated prewar and have "changed direction" since. Cites du Pont action as broadening scope of attack on heretofore legal relationships. Demonstrates unimportant effect on market action of the shares of the prosecuted companies.

Anti-trust suits now in progress are, for the most part, suits which were initiated before the war. A major case nearing completion is the one against the Aluminum Company of America. Progress in this suit has changed direction several times and the ultimate outcome is problematical. Before the war, the company was the sole producer of virgin aluminum ingot, but during the war, new producers were brought into the industry. Although Alcoa now owns about half of the privately-owned ingot capacity, the Department of Justice persists in its efforts to bring about a break-up.

Howard F. Vultee

Another suit before the courts is against the General Electric Company and several other defendants. This suit, instituted in 1941, is against an alleged trust in the incandescent lamp industry. A brief discussion of this suit follows below:

Two important suits instituted this year were against the American Telephone and Telegraph Company and the du Pont interests. In the Telephone proceedings, the government seeks the separation of the Western Electric Company from its parent, the American Telephone and Telegraph Company, and its break-up into three separate, competing units. Western Electric, as the principal manufacturer of telephone equipment for the Bell System, is alleged to be a trust which is fostered by its ownership by the Telephone Company.

The du Pont suit also has some innovations with serious implications. The suit was brought against E. I. du Pont de Nemours & Company, General Motors Corporation, United States Rubber Company, several subsidiary companies, and over 100 individuals including leading members of the du Pont family. This suit, therefore, was broadened to include the personal investments of the du Pont family as well as the security investments of the companies involved. Should the government be successful in broadening the scope of the anti-trust laws, many relationships, which heretofore have appeared to be perfectly legal, could be subject to attack.

The recent suit against the Great Atlantic and Pacific Tea Company is the latest attack on big business. While this suit hinges on a question of price fixing, we have included a few comments on the suit because it is aimed at a break-up of the company into a number of component parts. The suit, however, will probably take a long time, but public interest in this case should be much greater, as the results of the suit may have a bearing on food prices in general, and has tended to focus attention on the subject of anti-trust suits.

Aluminum Company of America

The Aluminum Company of America has always been the dominant company in our domestic aluminum industry. It was, therefore, quite probable that it would eventually be subject to anti-trust action. The suit against Alcoa was filed on April 23, 1937 in the United States District Court, Southern District of New York. The government's petition charged that the company and its wholly owned subsidiaries manufactured at that time 100% of the virgin aluminum in the United States. It also charged that the company sold more than 90% of the aluminum sheet and virtually all of the aluminum wire, cable, tubing and similar items. The impact of the filing of the suit on the market price of Alcoa Common Stock was reflected in a 23.6% decline in three days from 157 to 120. In the following table these prices have been adjusted for the three-for-one split in 1943 and the prices rounded to save space. The market reaction to the filing of this suit was among the more pronounced reactions of any in the cases studied.

Aluminum Co. of America

		†Alcoa Market Price	Impact %	Index of Alcoa Stock	D-J Ind. Avg.	Index of D-J Ind. Avg.
Dec 31, 1936		51	---	100	179.90	100%
Apr 23, 1937	(Anti-trust suit filed)	*52 to 40	—23.6	103 to 78	178.54	99
Oct 6, 1941	(Lower Court decision)	*40 to 38	— 4.2	78 to 75	125.83	70
Mar 12, 1945	(Circuit Court decision)	*41 to 39	— 4.8	81 to 77	157.88	88
Mar 31, 1947	(Alcoa's pet'n for dismissal)	70	---	138	178.36	99
Sep 24, 1948	(Govt. pet'n for divestment)	*55 to 50	— 9.0	108 to 99	179.28	100
Dec 31, 1948		49	---	96	177.30	99

†Adjusted for 3-for-1 split in 1943; prices rounded to save space.
*Fluctuation over immediate period following the event indicated.

The government's charges that the company exercised on illegal monopoly in the domestic aluminum industry were definitely and completely rejected in a sweeping decision by Judge Francis G. Caffey on Oct. 6, 1941. Judge Caffey's remarks were exceedingly strong when he said, "It appears without contradiction that there exists in this country adequate supplies of bauxite and water power, available to anyone. . . . Anyone so desiring needs only bauxite and water power, and it appears that no one stands in the way and that nothing ever stood in the way, with the exception of patents, the last of which ran out in 1909."

As might be expected, the decision was appealed to the Supreme Court, but four of the Justices disqualified themselves and it was referred to the United States Circuit Court of Appeals for the Second District. While Judge Caffey had been so conclusive in his decision, the Circuit Court of Appeals on March 12, 1945 reversed the decision in part and held that Alcoa as the sole domestic producer had been until 1940 a monopoly in the virgin aluminum ingot market. It affirmed Judge Caffey in all other respects. Stock market reaction to this partial reversal of the District Court decision was not particularly pronounced, however. In the course of about a week, the stock rather slowly lost two points or 4.8%. This was largely because a dissolution was not ordered. Rather it was suggested to wait for the disposition of new capacity built during the war. The District Court was left with the job of determining how to end the ingot monopoly. A year later in April, 1946, the District Court entered the judgment which left the door open for both sides. It permitted Alcoa to ask for a determination which it did on March 31, 1947. Alcoa's petition presented data to show that it owned or controlled one-half or less of the privately operated capacity in the ingot and fabricating segments of the industry. The government, in several maneuvers, sought to delay a final determination. Finally, on Sept. 24, 1948, the government asked the District Court to force Alcoa to reduce its power and size by a divestiture of properties. The petition did not propose the separation of any specific properties; instead it asked that a plan be submitted by Alcoa. The Alcoa and government petitions were consolidated for hearing and testimony with respect to them was taken between March 28 and Nov. 9, 1949. The petitions are now awaiting disposition by the Court.

Since the time of the Circuit Court decision in 1945 that a monopoly in ingot capacity existed, the market for Alcoa's common stock turned in a more outstanding performance than the Dow-Jones Industrial Average. Reflecting the pent-up demand for aluminum, both as a basic metal and a substitute metal, the stock reached a high of over $90 a share in 1946. As the shortages were overcome and market psychology changed, the stock declined somewhat faster than the Average. In the 12-year period covered by the table, alcoa common has shown a moderate net decline from 51 (after adjustment for the stock split) to a price of 49 at the latest year-end. The Dow-Jones Industrial Average is substantially at the same point where it was 12 years previous.

It is hazardous to speculate as to the eventual outcome of any anti-trust proceeding. However, in view of the American Can proceeding when a shift to approximately half of domestic tin can capacity resulted in the District Court's refusal to dissolve the company, it would appear that Alcoa with approximately one-half of the present privately-owned capacity may not be subject to separation.

General Electric Company

This company has been the principal defendant in an anti-trust suit involving the incandescent lamp industry. The suit was filed on Jan. 27, 1941 against the General Electric Company, Westinghouse Electric and Manufacturing Company, Corning Glass Works and nine other corporations. The complaint charged the group with entering into a combination to fix prices, restrict production artificially and control the business of independent bulb manufacturers. General Electric and Corning Glass, according to the Department of Justice, "have monopolized the manufacture and sale of glass bulbs and have secured monopolistic control over frosted glass bulbs." It is also charged that General Electric and Westinghouse, through patent licensing agreements, controlled 90% of all incandescent lamps made in the United States at that time.

On Jan. 19, 1949, the Federal District Court of New Jersey handed down a decision against the defendants. The Court held that certain activities of the defendants constituted a violation of

Continued on page 30

Dealer-Broker Investment Recommendations and Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Bank Stocks—Year-end comparison and analysis of 19 New York City Bank Stocks available Jan. 16—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Insurance Stocks — Analyses — Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Also available is data on **Bank Stocks in Buying Zone.**

Over-the-Counter Index—Booklet showing an up-to-date comparison between the thirty listed industrial stocks used in the Dow-Jones Averages and the thirty-five over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over an eleven-year period—National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Puts and Calls—Booklet—Filer, Schmidt & Co., 30 Pine Street, New York 5, N. Y.

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Affiliated Gas Equipment—Circular — Auchincloss, Parker & Redpath, 729 Fifteenth Street, N. W., Washington 5, D. C.

Aro Equipment Corporation — Analysis and study—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

Capital Airlines — Circular — Floyd D. Cerf Jr. Co., 120 South La Salle Street, Chicago 3, Ill.

Also available is a circular on **International Cellucotton Products Co.**

Consolidated Dearborn Corp. — Bulletin for dealers — Friedman, Brokaw & Co., 711 St. Charles St., St. Louis 1, Mo.

Food Fair Stores, Inc.—Analysis —Cohu & Co., 1 Wall Street, New York 5, N. Y.

Greer Hydraulics — Descriptive analysis — Raymond & Co., 148 State Street, Boston 9, Mass.

International Cellucotton Products Co. — Recent bulletin — Hill Richards & Co., 621 South Spring Street, Los Angeles 14, Calif.

Laclede Gas Light Co.—Circular—Edward D. Jones & Co., 300 North Fourth Street, St. Louis 2, Mo.

Market X-Ray Graph—An investment advisory service specializing in internal market analysis; graphs are designed to improve forecasting, determine supply and demand, reveal hidden strength or weakness—Send $1 for information and latest bulletin or $5.00 for trial subscription including explanatory manual, 1949 weekly and daily graphs, traders' stock guide rating several hundred stocks, supervised stock list with specific recommendations, and next four weekly bulletins and current graphs—Dept. C-2, Market Action, Inc., P. O. Box 986, G.P.O., New York 1, N. Y.

Mexican Eagle Oil—Memorandum — Zippin & Company, 208 South La Salle Street, Chicago 4 Ill.

New England Public Service Co.—Special survey—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Niagara Mohawk Power Corp. — Analysis — Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Also available is a leaflet of the **Book-of-the-Month Club, Inc.** and a study of **International Business Machines Corp.**

Niagara Mohawk Power Corporation — Summary and opinion — E. F. Hutton & Co., 61 Broadway, New York 6, N. Y.

Richman Brothers Company — Analysis — A. G. Becker & Co., Inc., 120 South La Salle Street, Chicago 3, Ill.

Riverside Cement Co.—Analysis —Lerner & Co., 10 Post Office Square, Boston 9, Mass.

Rudolph Wurlitzer Co.—Circular — Morgan & Co., 634 South Spring Street, Los Angeles 14, Calif.

Seaboard Airline Railroad Co. —Study—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Security Insurance Company of New Haven—Circular—Day, Stoddard & Williams, 95 Elm Street, New Haven 6, Conn.

Suburban Propane Gas Corp.— Analysis — G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

Sunshine Biscuits, Inc. — Analytical brochure—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y.

Management Firm Announces Changes

Cresap, McCormick and Paget, management engineers, have announced that Matthew L. Devine and Robert Kaye have been admitted to general partnership and that Carl B. Hess has been appointed to the newly-created post of Director of Development.

Mr. Kaye has been with the firm since 1946. Prior to that time he was Director of Research for the National Office Management Association and before that directed management analysis for both private industry and various government agencies. He has also taught industrial management at the Wharton School of Business and elsewhere.

Mr. Devine, who heads the Chicago office, came to the firm in 1947 from the management research group of General Electric's Executive Department. During the war Mr. Devine, serving with the rank of Colonel, was Chief of Control for the Army in the Southwest Pacific where he received the Legion of Merit for the development of management controls in that area.

Mr. Hess has recently joined the organization after more than 15 years of diversified experience in manufacturing and development work. He will be responsible for integrating the firm's current and new business activities.

J. P. Morgan Co. Elects

At the regular meeting of the board of directors of J. P. Morgan & Co. Incorporated, John P. Morgan II was appointed as Assistant Treasurer.

With Paine, Webber Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Thomas J. Welsh is now associated with Paine, Webber, Jackson & Curtis, 209 South La Salle Street. He was formerly with Goodbody & Co. and H. M. Byllesby & Co.

Landsberg Chairman of N. Y. Curb Exch.

Mortimer Landsberg, Vice-Chairman of the board of governors of the New York Curb Exchange for the past year and a member of that securities market since 1917, was elected Chairman of the board at the annual election held by regular Exchange members, Francis Adams Truslow, President of the Exchange, announced last night. Mr. Landsberg succeeds Edward C. Werle, who had served three terms as Chairman.

Mortimer Landsberg

The entire slate proposed by the nominating committee was elected to office. Elected to serve three-year terms as class A governors of the Exchange were Carl F. Cushing, of W. E. Burnet & Co.; Charles W. Halden, of H. L. Buchanan & Co.; David S. Jackson; Joseph Klee and Mr. Werle, the retiring Chairman. Andrew Baird, of Josephthal & Co., a former Vice-Chairman of the Exchange, was named a class A governor for one year to fill an unexpired term. Mr. Halden, Mr. Jackson and Mr. Klee will be serving for the first time while Mr. Cushing and Mr. Werle were reelected. All are regular members of the Curb Exchange.

Edward C. Bench, of Clark, Dodge & Co.; Michael W. McCarthy, of Merrill Lynch, Pierce, Fenner & Beane; Irving H. Sherman, of A. G. Becker & Co.; and Benjamin H. Van Keegan, of Frank C. Masterson & Co., were elected class B governors for three years. All will be new governors except Mr. Van Keegan, who was reelected. Class B governors are chosen from associate member and nonmember partners of Curb member firms.

E. R. McCormick, first President of the Curb Exchange after it moved indoors in 1921, was reelected a trustee of the Exchange gratuity fund.

A member of the Curb since the days of the old outdoor New York Curb Market Association, Mr. Landsberg was first elected to the governing board back in 1923 and has been an active governor during many of the intervening years. He has served on most of the Exchange's standing committees and was treasurer of the Curb for a number of years.

The three new class A governors have devoted most of their lives to the securities business. Mr. Halden entered the Street in 1919 as a runner for a specialist on the outdoor Curb Market in Broad Street. He was admitted to partnership in Borg Brothers in 1922 and obtained his Curb membership that same year. He was an independent broker from 1925 until 1947, when he became a partner in H. L. Buchanan & Co.

Mr. Jackson became a specialist on the Curb Exchange in 1925 and acquired membership on the New York Stock Exchange in 1929. Since 1934, he acted as a specialist on the trading floor of the Curb Exchange.

Mr. Klee, who was a member of the loan department of S. W. Straus & Co. from 1920 until 1929, became a member of the New York Curb and Stock Exchanges in 1929. Between 1930 and 1935 he functioned as an independent commission broker, becoming a partner in Klee & Heilbron in the latter year. Mr. Klee has been a specialist on the Curb floor since 1938, except during 1945 when he was a floor trader.

Mr. Werle has been a governor of the Curb Exchange for the past six years and its chairman for the past three years. His Wall Street career dates back to 1919 when he became a page boy on the floor of the New York Stock Exchange. Mr. Baird served as a governor from 1943 to 1949, while Mr. Cushing has been on the board since 1946.

One of the new class B governors, Mr. McCarthy, is a specialist in systems work and assistant managing partner of Merrill Lynch, Pierce, Fenner & Beane. He has been associated with that firm since 1940, when he was appointed New York City office manager. He became a partner in 1944.

Mr. Sherman, who has been associated with A. G. Becker & Co. since 1923, spent the 12 years prior to 1939 as European representative of that firm. He has been a partner since the latter year.

After spending 22 years in industry and finance, Mr. Bench was admitted to partnership in Clark, Dodge & Co. in 1947. Mr. Van Keegan has been a class B governor since 1947.

With Barrett Herrick Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Robert L. Harvey is now with Barrett Herrick & Co., Inc.

Whittelsey With Troendle

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — Stuart G. Whittelsey has become associated with Victor H. Troendle & Co., 6367 Wilshire Boulevard. Mr. Whittelsey in the past was with National Securities and Research Corp. and Independence Fund of North America.

With Shields & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — David S. Garraway has become associated with Shields & Co., 510 West Sixth Street. He was formerly with Shearson, Hammill & Co. and Bogardus, Frost & Banning.

Two With J. A. Hogle

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CAL.—Robert D. Cathcart and William D. Rains have become connected with J. A. Hogle & Co., 507 West Sixth Street. Mr. Rains was formerly with Merrill Lynch, Pierce, Fenner & Beane for several years.

Three Join Hutton Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CAL.—Ralph C. Morse, Jr., Timothy Wright and William H. Wright have become affiliated with E. F. Hutton & Co., 623 South Spring Street. Mr. Morse was previously with Shearson, Hammill & Co.

Missouri Brevities

International Shoe Co., St. Louis, for the year ended Nov. 30, 1949, reported that the total value of products manufactured by it was $263,027,321, against $309,-674,450 in the previous year. Of the total 1949 product value, $190,003,486 represents shoes manufactured (sales) and the remaining $73,023,835 is the value of other products—including leather and rubber heels and soles—produced by International exclusively for its own use in manufacturing shoes. Dollar value of shoes shipped to customers, the report states, was 13.5% less than that of the peak year of 1948 when the figure was $219,804,880. Net profit for the year ended Nov. 30, 1949, was $7,682,359, equal to $2.26 per common share, compared with $13,820,197, or $4.06 per common share, for the preceding year. Dividends on the common stock have been paid without interruption for 37 years, the 155th consecutive one having been paid Jan. 1, 1950.

* * *

Two St. Louis investment houses were included in the snydicate headed by A. C. Allyn & Co., Inc. and Bear, Stearns & Co., New York, whose bid of $16,125,000 cash for the 500,000 shares of common stock of Pacific Power & Light Co. held by American Power & Light Co. was cleared by the SEC on Feb. 3. They are Stifel, Nicolaus & Co., Inc. and Peltason, Tenenbaum Co.

* * *

Details of an $800,000 expansion program effected during the past three years by the F. Burkhart Mfg. Co., increasing production capacity by an approximate 20%, were disclosed in the annual report for the fiscal year ended Nov. 30, 1949. Earnings for this period, after taxes, were $1,626,139, equal to $5.91 per common share outstanding. This compared with $4.57 per share for the preceding fiscal year. The report listed current assets as of Nov. 30, 1949, at $5,062,410 as compared with current liabilities of $993,021. The company has no bank or mortgage indebtedness. Its stock is now traded on the new Midwest Stock Exchange, Chicago. The company's only outstanding securities are 275,220 shares of common stock, the par value of which was increased in 1949 from $1 to $8 per share.

* * *

The directors of the St. Louis-San Francisco Ry. on Feb. 2 decided to defer consideration of the declaration and payment of a dividend on the common stock until its meeting scheduled for May 25. Last year, an initial distribution of $1 per share was made on this issue on March 1. The full dividend of $5 per share on the preferred stock was declared, payable in quarterly instalments. The board also declared payable May 1, 1950, out of available income for 1949, the interest on the company's second mortgage income bonds to holders of record April 14, 1950.

* * *

The Wabash Railroad, according to Arthur K. Atkinson, its President, had a net income in 1949 of $5,693,237, compared with $10,997,654 in the previous year. Total revenues were $93,642,963, against $107,361,529 in 1948. Sales of equipment trust obligations furnished $7,322,000 of the $15,-500,000 spent during 1949 for additions and improvements with the remaining $8,178,000 coming from accumulated income.

* * *

The preliminary report of the Missouri Public Service Co. for 1949 shows a net income of $588,793, equal to $4.40 per share on the common stock outstanding, compared with $524,-678, or $3.92 per common share, in 1948. Total revenues were $4,355,069, against $4,057,477.

* * *

Western Auto Supply Co., Kansas City, reports for the year ended Dec. 31, 1939, net earnings of $3,758,237, equal to $5 per share, compared with $5,750,418, or $7.65 per share, in 1948. Net sales for 1949 were reported at $125,-432,312, comprising $67,742,494 in retail volume and $57,689,818 wholesale, compared with aggregate net sales of $125,987,662 in 1948, of which $67,929,269 were retail and $58,058,393 were wholesale. The company said: "The decrease in current year's earnings as compared to 1948 was due primarily to a narrower margin of gross profit brought about by increased competitive conditions and by inventory losses resulting from the steady decline of prices during the greater part of the year."

* * *

Sales volume of Consolidated Retail Stores, Inc. in January, 1950, totaled $1,849,815, or 18.2% below the $2,260,458 reported for January, 1949.

* * *

Interstate Bakeries Corp. reports net profits for the 52-week period ended Dec. 31, 1949, was $2,349,372, equal after preferred dividends to $6.50 per common share. This compares with a net of $2,436,543, or $6.75 per common share, for the 53-week period ended Jan. 1, 1949. Sales totaled $55,267,632, against $58,724,649. For the 12-week period ended Dec. 31, 1949, sales were $12,558,-000 and net profits $597,318, or $1.71 per common share, against sales of $14,067,134 and net income of $898,825, or $2.66 per common share, for the 12-week period ended Jan. 1, 1949.

* * *

Ralph S. Damon, President of Transcontinental & Western Air, Inc. (known as Trans World Airline), in a report to employees in connection with his first year with the company, said that the financial statement for 1949 has not been completed but "it should look good." A. V. Leslie, Treasurer of the company, stated that a greater part of the company's capital requirements for the purchase of new equipment will be met from earnings plus borrowings.

* * *

Earnings of Southwestern Bell Telephone Co. showed further deterioration in the calendar year 1949 from the previous record low level of 1948. The rate of return on capital invested in the business in 1949 was at an all-time low of 3.86% as compared with 4.09% earned in the previous year. Earnings on common stock fell to $4.60 per share in 1949 from $5.23 per share in 1948. The company operates 683 exchanges and furnishes long distance service in Missouri, Arkansas, Kansas, Oklahoma, Texas, and part of Illinois.

* * *

Edison Brothers Stores, Inc. for the month of January had sales of $3,987,925, as against $4,465,201 for the same month in 1948, a decline of 10.7%.

* * *

Net profit of Griesedieck Western Brewery Co., after deducting income taxes, amounted to $2,-954,413 for the year ended Dec. 31, 1949, which compares with a net of $2,472,118 for the preceding year. Current assets amounted to $5,512,671, and current liabilities, $515,512. The common stock, of which 640,017 shares are outstanding, is listed on the Midwest Stock Exchange and New York Curb.

* * *

Cook Paint & Varnish Co., Kansas City, for the year ended Nov. 30, 1949, reported net sales of $27,380,890, compared with $29,700,393 in 1948, a reduction of 7.8%. Net profits were $1,-606,609 after providing for income taxes of $976,000, compared with $2,165,682 after taxes of $1,350,000 in the 1948 fiscal year. Net earnings per share on the common stock were $6.69, against $9.23 for the year ended Nov. 30, 1948.

* * *

Mid-Continent Airlines, Inc. for the year ended Dec. 31, 1949, reported a net profit, after taxes, of $313,543, or 77 cents per share, as compared to $104,070, or 27 cents per share, in 1948. The tentative profit for 1949 is the net after provision for a profit sharing distribution of an estimated $27,500 to officers and employees participating in the company's employee stock purchase plan. This marked the eighth consecutive year the company has reported net profits.

With Harrison & Austin

(Special to THE FINANCIAL CHRONICLE)

SOUTH BEND, IND.—William O. MacLean has become affiliated with Harrison & Austin, Inc., National Bank Bldg.

Kalman & Co. Add

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, MINN.—Lyman W. Cole, Jr., has been added to the staff of Kalman & Co., Inc., Endicott Building.

Conservatism as Affected By Present Investment Risks

By BRADBURY K. THURLOW
Analyst, Minsch, Monell & Co., Members, New York Stock Exchange

Commenting on problem of what constitutes conservative investment under present conditions, analyst foresees inflation as prime investment risk. Contends, therefore, it is neither conservative nor intelligent to exchange equities for bonds or cash.

Evidence is accumulating daily in support of the view that we are entering into a period during which there is going to occur an enormous and far-reaching redistribution of our country's wealth. Logically, there are two ways in which this redistribution may be expected to take place: through taxation and through relative changes in the price structure of elements in our economy. The first is well-known to all of us and represents a more or less fixed hurdle in the path of any enterprising individual or organization: the second we have covered fairly extensively in recent studies made available to clients and interested readers. The solution of the problem of relative price change is not simple and frequently calls for original thinking. We observed in all too many quarters, however, that when such thinking, necessarily unconventional, is applied to investments, it is automatically dismissed as being unconservative. We do not believe that intelligent investment and conservative investment are of necessity mutually exclusive, but in order to prove our point it is perhaps necessary to determine just what is meant by conservative.

B. K. Thurlow

Considered most broadly, a conservative investment program is one which aims at maintaining a standard of living or, considered negatively, seeks to prevent a decline in a standard of living. In it is included the notion of minimizing risk to capital and insuring a satisfactory and stable return. Contrary to popular ideas on this subject, such a financial program is beset with difficulties. It is fully as necessary for the conservative investor to know the forces with which he deals and the means at his disposal as it is for the professional speculator. It is not, for example, conservative to "put things away and forget about them" anymore than it is conservative to "stick with" a security under worsening conditions because of a sort of "sacred cow" attitude of faith in the management.

Recently the year-end reports of a number of "conservative" investment funds have been brought to our attention. We noticed a curious similarity of procedure among many of them in decreasing their common stock holdings as the year progressed and increasing their holdings of cash and government bonds. Since this was the exact opposite of our own policy during 1949, we were naturally led to question whether this great weight of respected opinion against us meant that our opinion was not conservatively considered. To determine which if either, of the two opposing views was truly conservative, we were led to consider the dominant factors which constitute risk to today's investor. These were our conclusions.

The great risk in the background of everything would seem to be war with Russia. Such a war would undoubtedly cause violent economic convulsions, not the least of which would be an almost certain drastic currency inflation counteracted to some extent by an equally drastic program of taxation. We are not able to determine what effect war would have on the investor other than to reduce his cash and taxable fixed-income securities to a fraction of their present value. It does not seem likely, however, that we shall have war within the next five years, so that it seems enough now to note its existence as a general risk element common to all forms of investment.

Two, more specific, risk factors which must bulk large in today's investment thinking are the twin threats of inflation and business depression. The conservative investment policy will obviously be the one which determines the greater of these risks and attempts to find protection against it. A fundamental mistake which "conservative" investors and their advisers are making today, in our opinion, is to regard inflation and depression as opposite forces. This opinion is very widely held, but if past experience is any guide, it is manifestly unsound. The Keynesian dialectics under which our "Welfare State" is being managed, holds that when demand for goods drops, prosperity can be maintained by pumping additional money into the economy. Prosperity today is considered to be that level of business activity and national income which existed in 1948 at the peak of the postwar boom. Under the present theory, the government, to keep the electorate happy and provide a semblance of activity in basic industries, might quite conceivably bestow on the unemployed (through the printing press) the same dollar wages the employed were receiving. There would then, of course, be no "depression" possible. The idea, superficially, has a good deal of mass appeal. From an economic point of view the consequences of such a "prevented depression" would be appalling.

The conservative investor, seeing the money pumps fully set up and the Administration which will run them backed with full public support, appears to have no choice. He may argue that pump priming will not stave off economic collapse, and with this we shall heartily agree. We merely state that it will stave off deflation, diverting the collapse from the equity-goods side of the economic see-saw to the dollar-fixed-income side. With this risk overshadowing every other consideration in our minds we do not see how it can be either conservative or intelligent to exchange equities for bonds or cash today. With all due respect to their great number and reputation, we believe our policy has been much more conservative than that of those who have disagreed with us.

Sterling S. Beardsley Dead

Sterling Sherman Beardsley, member of the New York Stock Exchange, and a retired broker, died at his home at the age of 73 after a long illness.

With King Merritt Co.

(Special to THE FINANCIAL CHRONICLE)

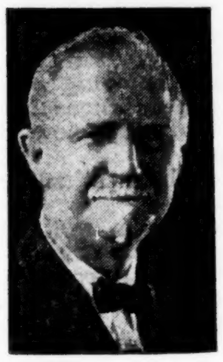
ST. CLOUD, MINN.—Robert J. Stieler is with King Merritt & Co., 1211 First Street, North.

Competition Calls for Better Selling

By ROGER W. BABSON

Commenting on increased competition, both from domestic and foreign sources, Mr. Babson stresses greater importance of selling as aid to national prosperity. Says increased production must reach consumer, if it is to have value.

The forecasts for 1950 recently issued by leading industrialists, economists and government officials all agree that 1950 will be a very competitive year.



Roger W. Babson

Production has been greatly increased during the past ten years. Farmers are raising 225% more products. Manufacturers are making 45% more goods; there has been a large increase in the number of "service" jobs, from hairdressers to dry cleaners, while advertising has increased about 35%. Yet, since 1940, our population has increased only 14%. Hence, 1950 will see far greater domestic competition.

But in 1950, for the first time since 1940, the U. S. will face foreign competition. (Among Christmas gifts received by me was a five-pound box of candy made in Paris and flown to this country by airplane.) The only hope for Europe and World Peace is for us to buy more goods from abroad. This buying from abroad will need to increase in order to stave off World War III. This means more competition for U. S. manufacturers.

Advantages of Merchandising

The one industry which need not fear this competition is well-organized merchandising, perhaps best represented by the top chain store organizations. These are always looking for the best goods for the least money, wherever they are made or raised. They do not have money in farms, factories, banks or real estate investments. They are free-lances with only one goal—namely, to best serve consumers.

The Selling Industry is not tied down to any one location; is not dependent upon any definite styles; and is not governed by bureaucratic regulations. Stores which do not pay can be quickly moved; while stores are so distributed through the U. S. that poor conditions in one locality, or industry, will not harm the group as a whole. With a turnover of five or more times a year, there need be no loss on inventories. Good merchants always are well hedged against inflation.

Selling as a Profession

If I were a young person today, a graduate of high school or college, I would become a salesman. Many of my successful business friends—whether in business for themselves or heads of large corporations with thousands of stockholders—came up through the sales department. Today, there are many engineers, accountants and personnel managers looking for jobs; but no successful salesmen are out of work. Moreover, men who can organize and operate a profitable selling force are in great demand.

It is not important what you sell, so long as it is something which honestly serves people. If you can get on your knees every morning and ask God to help you sell your products, you are sure to succeed. Selling opportunities exist in every honest industry, "from cradles to coffins." But, after deciding what you are to sell, make sure that you know more about that product than anyone else on the sales force. Visit the plants from which come the raw materials; work in the factories where your product is made; and visit the consumers who use it.

Importance of Selling to the National Prosperity

My family for 200 years has been in the fish business. As a statistician, I never understood why good fresh fish when landed from the boats should sell at only five cents a pound; while the same fish, when frozen, should retail months later for 40 cents a pound. It seems unfair to the fishermen who are daily risking their lives to catch the fish; and unfair to housewives who buy the fish.

When coming to Florida, a half-grapefruit was priced in the dining car at 35 cents. Yet, the day after my arrival here I had to hire a man to pick up from the ground, under my trees, equally good or better grapefruit and cart them away! Certainly, there is a great opportunity for Christian service for any young man who will help reduce this spread which applies to most everything we eat or wear.

R. E. Griffin & Co. Opens

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Richard E. Griffin & Co. has been formed with offices at 5315 South Vermont Avenue to engage in the securities business. Partners are Richard E. Griffin and Breatrice A. Weiskopf.

A. W. Smith Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—George H. Pushee is with A. W. Smith & Co., Inc., 111 Devonshire Street.

J. M. Dain Adds

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, MINN.—William R. Disbrow has been added to the staff of J. M. Dain & Co., 110 South Sixth Street.

Joins Miller, Kenower

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—Fred C. Herbst is with Miller, Kenower & Co., Ford Building.

Connecticut Brevities

The American Hardware Corporation has announced that operations of the Corbin Screw Division are being discontinued. Except during periods of war the division has usually lost money. Productive capacity of the screw industry is in excess of the demand and competitive prices have normally been below Corbin Screw's costs of manufacture. The directors of American Hardware felt that they could not justify the large outlay of capital necessary to increase the operating efficiency of the division. The company will concentrate its production facilities on builders' and miscellaneous hardware products and the plant of the Corbin Screw Division will be available for sale or lease.

* * *

Casco Products Corporation has borrowed $2,000,000 from Prudential Insurance Co. on 3¼% serial notes due in equal annual installments of $200,000 each to Jan. 15, 1960. Proceeds were to be used to retire loans of $800,000 and to strengthen working capital.

* * *

Fuller Brush Company has leased space in New York City at 100 Park Avenue, where it will maintain executive offices and display its products.

* * *

International Silver Company has obtained an option on a 35-acre tract near Wallingford, Conn. The management indicated that no definite plans had been made, but that a major plan is under construction.

* * *

Reports indicate that **Peter Paul, Inc.** has purchased a 14½-acre tract at La Grange Park, near Chicago, with the intention of erecting a plant at a cost of $2,750,000 when fully equipped. At the present time, plants are located in Naugatuck, Conn.; Philadelphia, Pa.; Oakland, Calif.; Dallas, Tex., and in the Philippines.

* * *

The annual report of **Chapman Valve Manufacturing Company** for the year 1949 shows that on sales which were only 1.1% above those of the previous year, net income rose from $1,060,272 to $1,669,888, equivalent to $9.34 per share of common stock in 1949 and $5.86 in 1948. Both years are after provision of $400,000 for excess of replacement cost of machinery and equipment above cost. During the year net working capital increased from $1,772,394 to $4,868,279 and net book value from $44.17 to $52.41 a share.

* * *

Windsor Locks Canal Company, a subsidiary of **Connecticut Light & Power Company**, has applied for a preliminary permit to develop hydro-electric power facilities at Enfield on the Connecticut River. The $42,000 kilowatt plant would be erected in connection with the U. S. Army Corps of Engineers' plans for navigation improvement, including a dam and navigation locks.

* * *

Aetna Insurance Company and its subsidiaries received premiums of $99,461,002 in 1949. This was 3.4% above the 1948 level. Underwriting results were highly satisfactory and surplus was increased by $7,935,642. The management has stated its intention to declare quarterly dividends of $0.50 per share. Piedmont Fire Insurance Co. was absorbed by Standard Insurance Co. of New York as of Jan. 6, 1950, thereby cutting to three the number of Aetna's subsidiaries.

* * *

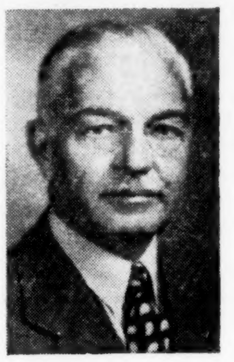
Operations of **The Hartford Steam Boiler Inspection & Insurance Company** during 1949 were more satisfactory than in recent years. Premiums written at $11.4 million were the second highest in the company's history. The loss ratio was 24.0% compared to 29.4% the previous year and the gain from underwriting was equal to $1.14 a share. Investment income amounted to $2.38 per share and net earnings per share including 40% of the increase in the unearned premium reserve and after taxes were $2.80. Liquidating value at the year-end was $56.68 a share, up from $50.10 the previous year.

* * *

Pitney-Bowes, Inc. offered its employees a total of 10,000 shares of common stock at $15 per share on Jan. 17, 1950. The offer is based on terms of the employees' stock purchase plan. The offer expired on Feb. 15, 1950.

Felix, Blasband Named By Bankers Securities

PHILADELPHIA, PA.—Albert M. Greenfield, Chairman of the board of directors of Bankers Securities Corp., Philadelphia, announces the election of Anthony G. Felix as President and Alfred Blasband as executive Vice-President and Treasurer of the corporation at a special meeting of the board held Tuesday, Feb. 14. He will assume his new duties about March 1.



Anthony G. Felix

Widely known in financial and banking circles, Mr. Felix since 1945 has been Senior Vice-President of the banking department of the Pennsylvania Company for Banking and Trusts. He will continue as a director and member of its executive committee.

Mr. Felix joined the Pennsylvania Company in 1930 when it absorbed the Colonial Trust Company, of which he was Vice-President. He had previously been Vice-President of the People's Bank & Trust Company which was merged with Colonial Trust in 1927.

Mr. Felix is director of the Commonwealth Title Company of Philadelphia and the Girard Fire & Marine Insurance Company. He is a member of the Association of Reserve City Bankers and is past President of the Philadelphia Chapter of the American Institute of Banking.

Mr. Blasband heretofore was a Vice-President and Treasurer of Bankers Securities Corporation.

Texas IBA Group to Hold Annual Dinner

SAN ANTONIO, TEX. — The Texas Group of the Investment Bankers Association of America will hold its annual meeting on Thursday and Friday, May 4th and 5th at the Plaza Hotel.

The committee in charge promises several fine speakers and a program of real entertainment for guests and their wives.

With Nauman, McFawn

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—Eugene Hesz is with Nauman, McFawn & Co., Ford Building, members of the Detroit Stock Exchange.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

FT. WAYNE, IND.—Ernest J. Gallmeyer has been added to the staff of Waddell & Reed, Inc.

David A. Gibb With Natural Resources

David A. Gibb, formerly associated with Semet-Solvay Division of Allied Chemical & Dye Corporation, has been elected Executive Vice-President of Natural Resources Fund, Inc., it was announced by Frank L. Valenta, President. Mr. Gibb was a member of the executive staff of Semet-Solvay Division.

David A. Gibb

With Edgerton, Wykoff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Albert G. Smith has been added to the staff of Edgerton, Wykoff & Co., 618 South Spring Street, members of the Los Angeles Stock Exchange.

Joins Fewel Co. Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Sydney Goldman is now with Fewel & Co., 453 South Spring Street, members of the Los Angeles Stock Exchange.

Samuel Franklin Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—William J. Stout is now affiliated with Samuel B. Franklin & Co., 215 West Seventh Street.

Government: Partner and Competitor in Banking!

By LESLIE GOULD*

Financial Editor, New York Journal-American

Pointing out government has cut itself in on practically every activity of individuals and business, financial journalist indicates how in banking government is not only policeman but partner. Attacks rigging of money market by Treasury and loose operations of Reconstruction Finance Corporation.

The subject of my talk tonight is, "Your Not So Silent Partner—the Government."

This is supposed to apply to the banking business. But it also applies to every other line of business, and to every man, woman and child. The Government has cut itself in on practically every activity of the individual—with one or two exceptions. And on at least one of those the time may yet come when we have to raise one or two fingers before leaving the room.

Leslie Gould

As a people we are becoming so confused that we may be like that strapping Mexican possessed of a wonderful physique. He was married and the next day met his friend, Jose, who hailed him:

"How's everything, Pedro?"

To which Pedro replied with some hesitancy, "fine," adding:

"I theenk I made a mistake."

"What you mean, Pedro, you made a mistake?"

"I theenk I married my seester."

Jose demanded more information, and Pedro explained:

"When I start to undress, my bride she say, 'Oh, Brother.' "

I think—if the public were fully aware of what is happening to them they wouldn't cry, "Oh, Brother"; they would say, "Uncle."

The reason the public doesn't is because:

(1) There has been no real opposition party. Not since 1932 has there been a clear-cut issue in a Presidential campaign. In that campaign Franklin D. Roosevelt ran as a conservative, promising a 25% cut in Government spending, promising to take Government out of business, and saying, among other things, "My fraands, taxes are paid in the sweat of the working man's brow."

Mr. Hoover was pictured as the spender and the exponent of big Government. The public voted for what it thought was the conservative as it has every time the issue had been clearly drawn. The only other election where this issue was clearly drawn—sound money versus unsound—the McKinley-Bryan campaign, the voters picked the sound money candidate.

Since 1932 the issue never has been clearly drawn. The opposition has run on a "me too, but I'll do it better" platform and lost.

The second reason why the public doesn't say "Uncle" is because business and financial leadership has been either too timid, or some have had skeletons in their closets, or some have sought temporary gain by playing along.

The banking business has had its share of all three. But a generation has passed since the early 1930's, and the old leadership has gone. Bad as some of that leadership may have been, it was lily-white compared with that being given today by the political and union leaders, with their tie-ins to some of the most vicious racketeering elements in our society.

This political leadership has made one blunder after another. It spent billions in boondoggles, while the rest of the world was sliding into war. Its blunders brought this great nation into war with an appalling cost in life, property and liberty.

The war was won, but blunders in its conduct and since have lost the peace, so that today, we sit on a powder keg, not knowing what moment we may be plunged into an atomic war that may blow us into a Dark Age.

Faced with such a situation, what do we find?

Our most precious military secrets leaking to our enemy—Soviet Russia—and the continuance in high places of those who condone these acts.

Our public gets wrought up over a little free love, but continues to patronize movies and shows slanted by pro-Communist writers and starring pro-Communists. That is called being liberal.

It's long past time the public be told the hard facts of the present situation, and high time business and banking leadership did some leading.

Take the matter of dollars entrusted to the banks and insurance companies. Legally, the responsibility is to see that the thrifty citizen is paid back in the same number of dollars he paid in. But there also is a moral responsibility to see that those dollars when paid back have approximately the same purchasing power.

Not Only Policeman, But Also Partner

Some of the reluctance to speak out and to demonstrate leadership can be traced to the fact the government is not only a policeman, but is also a partner in the banking business and at the same time a competitor.

Where one job begins and the others leave off is not always clear.

The policeman role is different from that of an ordinary cop. This "cop"—they are actually twins—not only checks the loans and investments, but also passes on them, and can force their liquidation.

Every bank is subject to at least two examinations once a year. Banks are examined by either the Federal Deposit Insurance Corporation or the Federal Reserve. Then, depending on whether the banks are state or national, there are the state or national examiners.

The two examinations are duplicating — which is the way with the government. The bigger the government, the more duplication, and, of course, the more jobs and more cost to the public.

The politicians must have been asleep when the Federal Deposit Insurance Corporation was set up. For there was a chance to have that group examine all insured banks, whether members of the Federal Reserve or not. It is not too late, of course, for them to correct that.

What happens when these "politically appointed policemen" force their judgment over that of management was very clearly shown in the middle and late '30s in New York State.

The New York State Banking Department right at the bottom of the market forced the banks —

*Talk by Mr. Gould at meeting of the New Jersey Conference of Bank Auditors and Comptrollers, Brooklyn, N. Y., Feb. 14, 1950.

savings as well as commercial—to sell their second grade rail bonds and dump real estate. Instead of selling at that time, sound judgment would have been to buy more and average.

The New York State Insurance Department did the same thing with the insurance companies under its jurisdiction.

Many of those bonds which the State Department forced the banks to sell are now rated high enough for their repurchase.

One of the fetishes of the banking departments and the examiners—national or state—is the ratings of bond investments by one of the statistical services. These ratings are always double or triple A at the top of the market and C at the bottom. When these ratings are changed it is too late to do anything about them—get in for the ride or out before the slide.

What the banking business needs is a return to more independent thinking and exercise of judgment — both in investment policy and in loan making.

With the Federal Deposit Insurance Corporation and its $1,200,000,000 surplus, more latitude can be given to bank management in the exercise of its judgment. A bank can't make money buying government bonds.

The FDIC now insures 13,614 banks, all but 200 being commercial. The insurance is up to $5,000 for each account and this covers 96% of all accounts and 46% of all the money on deposit. Yet, the FDIC wants to extend the coverage to $10,000.

Now let's turn to another agency which wants to add the role of competitor as well as serve as official manipulator of the money market and policeman. The Federal Reserve.

Treasury Rigs Bond Market

In order that the U. S. Treasury can carry the $260 billion Federal debt at low cost, the Federal Reserve rigs the money market—keeping interest rates down. It does this through open market purchases and sales of government bonds, which in turn set the interest scale for all other prime securities and for bank lending.

This is a fraud on the public and on private business. For the savers — the thrifty people—the cheap money policy is costing billions a year in interest return on prime investments and on bank savings accounts.

For industry, the cheap money policy, plus the tax laws, makes raising of equity capital too costly, so these enterprises go into debt. Interest on bonds and bank loans is deductible before taxes, while dividends on stock are payable after taxes. When bond money can be obtained from 2¾ to 3½%, against a 6 to 8% cost for stock—dividends are yielding that much today—few companies will resort to equity financing.

This is a problem on which the banks should be taking the lead, to show just what this cheap money policy is doing.

The Federal Reserve, like the New York State Banking Department in the '30s, is another example of the "superiority" of bureaucratic judgment over that of private enterprise and the private individual.

In November, 1948, when the sellers' market was fading, the Federal Reserve stepped in and slapped tighter controls on consumer credit. Instead of tighter credit, the need was for easing restrictions.

Seven or eight months later the Federal Reserve had to reverse itself, but not before business suffered a substantial setback. It exercised the same kind of misjudgment in margins on securities, putting them to 100% on the listed stocks, but little or no margins were required on the cheaper unlisted shares — including many of the cats and dogs. It was not possible to buy American Telephone or General Motors on margin, but you could buy Higgins Boat and Bendix Helicopter or Globe Aircraft.

That's the Federal Reserve for you.

Now, there is another Federal agency which has more than a finger in the banking business. In fact for many banks, it has moved right in and taken over. This is the Reconstruction Finance Corp., which competes with banks in its lending and is a partner in several hundred banks across the country through ownership of preferred stock.

The RFC has used the power of its investment in bank stock to put some of its own former staff members and others politically faithful in well-paying bank jobs. Not all such appointees have been bad — in fact quite a few have excellent records—but there are plenty where the contrary is true. Where the RFC hand-picked officer has operated the institution in such a manner it is not possible to pay off the RFC-owned stock and get out from under.

The RFC was expanded to meet an emergency. This was in the dark days of the depression. But as far as the RFC is concerned the emergency has no end. It is perpetual. If there isn't an emergency, then create one—which is the bureaucrats' lullaby.

The RFC is a full-fledged partner of banks and also a competitor and a tough competitor at times. It has probably on balance done a good job. It did step in when the banking fraternity had the jitters and wouldn't make loans that it should. But the other departments of the government were partly responsible for those banking jitters—the monopoly inquiry boys, the SEC, the Federal Reserve, the Comptroller of Currency and the Congress.

It is one thing to be lending out the taxpayers' money and something else again when it is the cash of depositors. Not so long ago the RFC couldn't account for $10 billion. If a banker were so forgetful, you can guess where he would land. Up the river or down Atlanta way.

There is more than just a smell of scandal in some of the RFC's operations, but that agency for some reason is able to keep secret a lot of its dealings.

It has been a source of lucrative private jobs for many of its alumni and for others of the political faithful. As I said before, the banks have been so used when the RFC got a financial hold on the institution. Others have found the RFC helpful in getting on industrial payrolls.

Interesting case histories of RFC loans are furnished by Lustron—the prefabricated home outfit—and Waltham Watch. In the Lustrom deal, the RFC is out $37½ million, compared to the $1,000 put in by its promoters.

Waltham Watch, one of the three makers of watch works in the country, got into difficulties last year, due in part to Washington's letting down the tariffs barriers to Swiss watch movements.

The RFC advanced $6 million and a $12,000 a year RFC man went in as head of the company at $30,000 a year on leave from RFC.

In announcing that loan, the RFC stated it considered its job to be "putting out the little fires before they become big ones. . . . We think it is better to help a company while its problems are small than to have the company go out of business, perhaps with a loss of jobs and payrolls."

That was last year. The company just the other day closed its doors because the RFC put strings on $2 million of its loan after turning over to the company $4 million.

When the RFC stepped in, a plan was being worked out by stockholders to have dealers refinance the company and keep it running without Government help. The success of this plan depended on the goodwill of the dealers, but the kibosh was put on that by selling the inventory to a chain store group at 50 cents on the dollar. This wrecked the dealer franchise setup.

Through the tax laws the Government cuts itself in on the profits of all business and the earnings of all individuals.

In the old days, Government wasn't a partner. It was an employee. Now it is a full-fledged partner, one of those kind that share in the profits and not the losses. And if things continue that way for many more years, the Government will wind up the boss—the owner. Which is what the social dogooders want.

Two Join Wagenseller Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — D. Richard Helberg and Stuart E. Power have become affiliated with Wagenseller & Durst, Inc., 626 South Spring Street, members of the Los Angeles Stock Exchange.

Mutual Funds

By ROBERT RICH

Annual Reports Squeak by In Wisconsin

Mutual Funds whose shares are registered in Wisconsin have not thus far, in publishing their annual reports, violated the "color provisions" of Wisconsin rules and regulations, Edward J. Samp said to the "Chronicle" today. Mr. Samp is Director, Department of Securities, of the State of Wisconsin, and President of the National Association of Security Administrators.

Champion of Restraint

Mr. Samp, a champion of modesty in annual reports and sales literature of Mutual Funds, created considerable controversy within the industry in a formal letter to "Investment Companies Whose Shares Are Registered in Wisconsin," dated Nov. 22, 1949. Mr. Samp wrote that:

"The inclusion of material describing (a) the advantages of the company as a medium of investment; or (b) the quality of its management; or (c) the printing of the report in colors or on a more elaborate scale than necessary to deliver the message of a factual report, is an expense which should not be paid by the shareholder but by the distributor as sales material."

No Criteria Established

Mr. Samp, when asked if any criteria had been formulated with respect to restrictions on the "gaudiness" of annual reports and sales literature, said that such decisions were reserved for his discretion. He commented that when annual reports become sales literature, through the inclusion of extraneous material, he cannot regard the reports as such any longer. He warned that continued or flagrant violations of this Wisconsin "code" would result in revocation of a license.

Many trusts have been refused licenses for security sales in Wisconsin because of Mr. Samp's strict regulation. Some trusts, he said, were turned down because they were specialized funds misrepresenting themselves as investment trusts; others were refused license because their sales approach indicated that the trust was no longer such, but a package of goods being sold to the public.

Attacked Fund Reports

Although Mr. Samp said today he did not object to annual reports in more than one color, he was reported to have attacked annual reports of Mutual Funds, emphasizing that they should only be printed in one color. This attack was made during an Investment Company Committee hearing in New York on Oct. 25, 1949, at which nine administrators or Blue Sky Commissioners of various states were present.

Mr. Samp is regarded as leader of the crusade among State Security Administrators to enforce more effectively the Spartan approach to annual reports and sales literature. He is reported to be actively engaged in an effort to have the remaining states follow his lead in this action.

In his letter, Mr. Samp made reference also to his opinions regarding Capital Gains, Return of Capital and Dividends From True Income.

Some of the funds whose shares may be sold in, or are qualified for sale in Wisconsin are: The Bond Fund of Boston; Boston Fund, Inc.; Broad Street Investing Corp.; Century Shares Trust; Chemical Fund, Inc.; Eaton & Howard Balanced Fund; Fidelity Fund, Inc.; Incorporated Investors, Inc.; Massachusetts Investors Second Fund, Inc.; Massachusetts Investors Trust; National Investors Corporation; National Securities Institutional Series; Selected American Shares, Inc.; Shareholders' Trust of Boston; Whitehall Fund, Inc.; Wisconsin Investment Company.

Text of Samp Letter

Following is the complete text of Mr. Samp's letter to Investment Companies:

The State of Wisconsin
Department of Securities
Madison 2, Wisconsin
November 22, 1949

To Investment Companies
Whose Shares Are
Registered in Wisconsin:

This department has had under consideration for some time certain restrictions relative to the distribution of capital gains, so-called non-taxable distributions, and true income. We have arrived at some conclusions which we want investment companies selling shares in Wisconsin to know about before declaration of such disbursements are made.

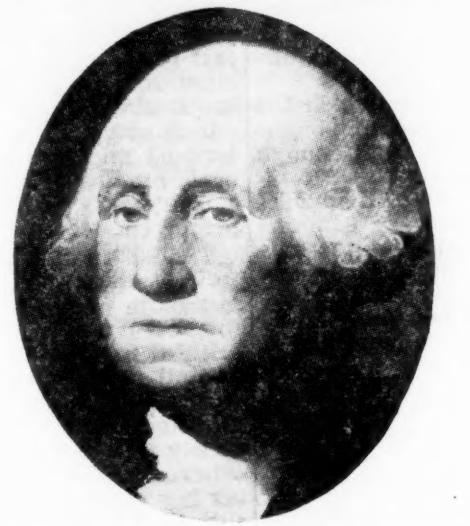
(a) **Capital Gains.** We think, as a general proposition, that it is not in the interest of the shareholder of an investment company to make a distribution of capital gains when it has unrealized capital losses on its books and which could advantageously be realized as actual losses and thus wipe out the gains. The question as to when it is advantageous to sell in order to take a tax loss will be determined by you from a number of factors, and failure to take such losses can only be excused after a presentation of the factors involved to this department. One premise which will guide us in making our decision, after an appraisal of the facts, is that the investment company will be required to do exactly what a prudent investor would do in handling his own portfolio, if he owned the same securities as the investment company reporting. To apply any other standard would be to abandon the purpose and function of the investment company as defined by the persons in the business.

It is quite likely that on account of the fact that dividend and disbursement declaration dates are so close at hand, the factors determining the question as to whether or not to sell to take a tax loss may be quite different now in certain respects than they will be during the coming year when the management has more time within which to maneuver.

(b) **Return of Capital.** We do not approve and believe it to be not in the interest of the investor to make a disbursement to shareholders with the announcement that the Internal Revenue Department considers such disbursement non-taxable because it is a return of capital and telling the shareholder to apply the disbursement in reduction of the cost of his shares. When the investment company need not pay a tax on this proposed disbursement if retained, then it is our understanding that the shareholder need not pay a tax either if he received it. Having paid an "acquisition" cost to invest his money, it is in his best interest to keep it in the investment company. There may be situations where no ruling has been made by the Internal Revenue Department on some money received by the investment company as to whether it will be considered true income or return of capital, and its disbursement may be justified at the year-end on that ground. These situations will

Continued on page 43

"First in War, First in Peace, First in the Hearts of His Countrymen."



"No nobler figure ever stood in the forefront of a nation's life. . . . There was little in his outer bearing to reveal the grandeur of soul, which lifts his figure, with all the simple majesty of an ancient statue, out of the smaller passions the meaner impulses of the world around him. . . . It was only as the weary fight went on that the colonists learned little by little the greatness of their leader—his clear judgment, his heroic endurance, his silence under difficulties, his calmness in the hour of danger or defeat, the patience with which he waited, the quickness and hardness with which he struck, the lofty and serene sense of duty that never swerved from its task through resentment or jealousy, that never through war or peace felt the touch of a meaner ambition, that knew no aim save that of guarding the freedom of hs fellow-countrymen, and no personal longing save that of returning to his own fireside when their freedom was secured. It was almost unconsciously that men learned to cling to Washington with a trust and a faith such as few other men have won, and to regard him with a reverence which still hushes us in the presence of his memory."

—PROFESSOR J. R. GREEN, British Historian.

COMING EVENTS
In Investment Field

Feb. 21, 1950 (Detroit, Mich.)
Detroit Stock Exchange Annual Dinner.

Feb. 21, 1950 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia dinner in the Garden Terrace Room of the Benjamin Franklin Hotel.

Feb. 26-27, 1950 (Washington, D. C.)
National Association of Securities Dealers, Inc. annual meeting at the Shoreham Hotel.

March 8, 1950 (Philadelphia, Pa.)
Eastern Pennsylvania Group of Investment Bankers Association Forum at Hotel Warwick.

April 21, 1950 (New York City)
Security Traders Association of New York annual dinner at the Waldorf-Astoria.

May 4-5, 1950 (San Antonio, Tex.)
Texas Group Investment Bankers Association annual meeting at the Plaza Hotel.

June 5-8, 1950 (Canada)
Investment Dealers Association of Canada 34th Annual Meeting at the Seigniory Club, Montebello, Quebec.

Sept. 26-30, 1950 (Virginia Beach, Va.)
Annual Convention of the National Security Traders Association at the Cavalier Hotel.

What to Do About Federal Government Spending

By HON. JOSEPH W. MARTIN, JR.*
U. S. Congressman from Massachusetts
Republican Leader of House of Representatives

Calling attention to public uneasiness over ever-increasing cost of government and aggravating burden of taxes, along with rising living costs, Republican party spokesman says root of our troubles can be traced to philosophy of Karl Marx. Cites spread of Socialism here and abroad, and contends if Administration's spending policy is adopted, Federal budget would be doubled and half of individual incomes would have to be paid in taxes, resulting in higher living costs.

I want to talk tonight about the biggest problem that faces the American people — what to do about the Federal Government. It is a problem that is on the minds of everyone—builders, real estate men, labor leaders, housewives, businessmen, and farmers alike. There are three sound reasons for this growing anxiety. First, the American people are genuinely concerned about the trend towards socialism in Washington. Second, the American people are aroused, as never before, over the ever-increasing cost of government and the ever-increasing burden of taxes they bear. Third, there is great uneasiness over the high cost of living.

Hon. J. W. Martin, Jr.

I hope to show you that the first is causing the second, and the second is causing the third. I think I can demonstrate that the way to cut the cost of government and to reduce taxes is first to get rid of the socialist schemers and planners in Washington; and the way to cut the cost of living is to reduce the cost of government and the burden of taxation that we all bear.

Root of Trouble Goes Back to Karl Marx

It is almost impossible to discuss what is going on in Washington today without taking a look at what has been going on in the world for the past century. The root of our trouble today goes back in a large measure to the philosophy of one man, a man named Karl Marx. Marx wrote thick books about his theories and published lengthy papers and manifestos about a revolutionary doctrine which he called socialism. If you examine the thousands upon thousands of words that he wrote and uttered, you will find that he was preaching one thing that the stomach deserved more attention than the soul; that the physical necessities of life were more important than religion, liberty, or spirit.

Since the beginning of time, man had been struggling against oppressive government in all forms. Essentially, he has struggled for freedom of spirit, and for his own dignity as an individual. And he had made enormous gains, he had prospered and he had become more productive than ever. But the history of man is that when he gains something after a long struggle, his children and his children's children too often forget how he won it.

Marx, because he proclaimed that the state could give shelter, food and clothing to all, began having an increasing appeal to those who enjoyed freedom but had not been forced to fight for it. As the followers of Marx made headway, they divided into two groups. One group called themselves Communists and advocated infiltration, violence, and revolution as a means of gaining power. The second group was more tricky. Calling themselves Socialists, they contended that the way to achieve power was to do it on a piecemeal basis.

Both groups were amazingly frank and outspoken—but people simply did not believe them. It did not seem possible, for example, that two percent of a population could seize control of the remaining ninety-eight percent. But the Communists in Russia finally proved it could happen.

In Great Britain, before the turn of the century, the Socialists banded together in a group which called itself "The Fabian Society." And where do you think the name "Fabian" came from? They took the name from Quintos Fabius, a Roman general who believed that the best way to fight a battle was to fight it piecemeal—by quick thrusts and quick withdrawals. Slowly, the Socialists in Britain made headway. They won one minor skirmish after another, getting approval of this radical law and that radical law as time went on.

Although the Communists and Socialists differed in method of attaining power, they agreed on most everything else. They agreed, for example, that the more you taxed the people, the less they would be able to help themselves, and the more they would have to depend on government. If they were taxed long enough and high enough, they would soon be helpless and socialism would take over.

Spread of Socialism

During most of these years, the spread of socialism was confined to Europe. It made no headway in the United States, but one European country after another was falling prey to the Socialist concepts. Russia went Communist in 1917; Italy went Fascist in 1922; Germany embraced Nazism in 1933; Britain finally fell into the grip of the Socialists in 1945. In every one of these nations—Russia, Italy, Germany and Great Britain—taxation was raised to almost confiscation levels, the tools of production were nationalized, and the people fell under the yoke of statism. Government drained off their savings and their capital and cut more deeply into their income—all in the name of providing them with the needs of life.

In America, the advent of the New Deal flung wide open the doors that had long been shut to the Communists and Socialists. They poured into Washington by the hundreds. They took modest jobs and worked like beavers. They hatched schemes by the score and they saw a few of them actually enacted into law. The Wadleighs, the Chamberses, and the Hisses went even further. They secretly joined the Communist spy apparatus. Those of us who back in the 30's tried to tell the nation that this was going on were laughed at and ridiculed. We were called "reactionaries," "Lord Macauleys" and "Tories." This abuse was heaped upon us because we still believed that the cherished freedom of Americans should not be traded for empty promises—promises that government could provide shelter, food and clothing if the people would only let government manage their affairs. I am proud of the record we made. The American way of life was worth fighting for then and it is worth fighting for today.

It is noteworthy that during all this period Federal taxes rose steadily. From soaking the rich, the government turned to soaking the poor, and there was scarcely a man or woman who did not feel the ever-increasing pinch of taxes as rates went up and the tax base spread.

The Second World War completed the job. Because every American willingly undergoes heavy taxation in time of war, no one could rightly complain as taxes went up. But war has always been favorable to the disciples of socialism and communism. War always tends to make people helpless—either by oppressive taxation or by outright destruction. Scarcely had the war ended than the proof of this was upon us. The Iron Curtain descended on a dozen European countries; Britain went Socialist; France and Italy teetered in the balance; China felt the pangs of a Communist revolution.

In the United States at the end of the war, most people breathed a sigh of relief, reached out their arms to those who had returned alive, and looked forward to some years of peace, happiness and prosperity. But the breeze that had been sowed in the thirties was to be reaped as a whirlwind in the late forties. The planners and socialistic schemers were firmly entrenched in Washington. In the White House was an executive willing to listen to their schemes and to advocate them. Taxes instead of going down went up. Total Federal, State and Local tax collections in the years that followed the end of the war were actually higher than at any wartime peak.

Increase in Tax Burden

Now, as a great political leader in this state used to say, "Let's take a look at the record." In 1933 total tax collections amounted to roughly two billion dollars. By 1941 the Federal taxes imposed almost three times that burden, and by 1948 the increase was twenty-two times what it had been in 1933. Of course, war was responsible for a great deal of this enormous leap in the tax burden. But the war has been over for nearly five years and the burden is still with us. The only tax reduction the American people have had in all that time was voted by the Republican Eightieth Congress when we relieved seven million people in the lowest income brackets of having to pay any Federal income tax at all, and we spread the benefits of that tax reduction in such a fashion that seventy-one percent of the total cut was given to people making less than five thousand dollars a year. By this tax cut, if nothing else, the Eightieth Congress enacted the first real roadblock in the path of socialism.

And what happened? With almost forty-five million people remaining at home in November, 1948, the United States for the first time in this century elected a President who didn't have a majority of the popular vote. President Truman, with less than fifty percent of those voting behind him, was back at the old stand, advocating socialism and contending he had a mandate.

To those forty-five million people who did not vote in 1948,

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*An address by Rep. Martin at the 61st Annual Dinner of the Builders Exchange, Rochester, N. Y., Feb. 2, 1950.

Can Sterling Be Made Convertible?

By PAUL EINZIG

Commenting on outlook for resumption of convertibility of British pound, Dr. Einzig foresees little likelihood of renewal of this experiment. Holds international exchange position of Britain has not substantially improved and error was made in repaying some balances of wartime blocked sterling.

LONDON, ENG. — The temporary reversal of the outflow of gold from Britain, brought about by the devaluation of sterling, has given rise to renewed agitation in favor of an early restoration of the convertibility of sterling. The fact that during the last quarter of 1949 there was a substantial increase of the British gold reserve, together with the deliberate optimism of government speakers during the electoral campaign, conveyed the impression that conditions in Britain have now improved sufficiently to make it possible and even necessary to reconsider the question of convertibility. As a result there has been an increase of pressure from the United States, and British supporters of convertibility have of late been once more in evidence. Yet it should be obvious that the fundamental position has not changed. The influx of gold has not been due to an improvement of the trade balance but to non-recurrent covering of short positions. The extravagant claims of British cabinet officers concerning Britain's progress will have to give way to sober realism as soon as the general election is over.

Dr. Paul Einzig

There is a school of thought in Britain according to which it would be possible to resume convertibility if wartime sterling balances could be consolidated. Beyond doubt the fact that Britain has released far larger amounts of these balances than she could afford in prevailing circumstances has been primarily responsible for her difficulties. When Pandit Nehru paid a brief visit to London last year, a headline in the "Manchester Guardian" greeted him as "The Man Who Broke the Bank," meaning that it was his insistence on the release of vast amounts of sterling that placed Britain in a position where devaluation became inevitable. And there can be no doubt that further releases of sterling on a comparable scale as during the last two years would undermine sterling once more, partly by reducing Britain's capacity to produce and export for the Dollar Area, and partly by creating an excessive supply of sterling.

This does not mean, however, that once the problem of sterling balances is solved sterling would become a sufficiently scarce currency to justify a repetition of the convertibility experiment that failed so disastrously in 1947. For in 1947 the excessive reduction of Britain's external wartime indebtedness was not the sole cause of the failure of convertibility. There was also the large adverse overall balance of payments as a result of which many soft-currency countries acquired large amounts of sterling for the purpose of converting them into dollars. What is not realized even now is that the premature unilateral convertibility of sterling was largely responsible for Britain's adverse trade balance in relation to dollar-hungry soft-currency countries. Yet it seems fairly obvious that the restoration of the convertibility of sterling provided these countries with an opportunity for securing much-needed dollars by increasing their sales to Britain and reducing their purchases from Britain, thereby securing a sterling surplus for the purpose of conversion into dollars.

There is no reason for supposing that in this respect the situation has changed fundamentally since 1947. It is true, sterling is now a more attractive currency as a result of its recent devaluation. Nevertheless, even now dollars are much more attractive than sterling, and most holders of sterling would gladly switch over into dollars if they are given the option to do so. So long as dollars remain scarce a restoration of the convertibility of sterling would always induce most soft-currency countries to aim at securing sterling for the purpose of conversion into dollars.

This is true not only regarding international convertibility on the lines of the experiment of 1947, but also regarding regional convertibility within the framework of the proposed O.E.E.C. intra-European payments system. If, in accordance with the Belgian proposal, any balances acquired through the operation of such a system, should become convertible into gold, there would be the utmost inducement for Continental countries to increase their exports to Britain and reduce their imports from Britain, as a means of securing gold. In theory other participants in the scheme would be equally exposed to such consequences. In practice, however, Britain is more exposed because she is less well defended by tariff walls than any of the other European countries which have a substantial gold reserve.

It is, therefore, understandable if Sir Stafford Cripps is reluctant to commit his country to a scheme under which the dollar-hunger of Western Europe might have to be satisfied largely out of Britain's inadequate gold reserve. As it is, that gold reserve has to provide for the requirements of the Sterling Area countries. This is a considerable liability, but at any rate the governments concerned have agreed to moderate their demands for gold. If, however, sterling should become automatically convertible, at any rate in intra-European relations, then it will be difficult to induce the governments of Commonwealth countries to continue to exercise self-denial, seeing that governments of countries outside the Commonwealth would be allowed to help themselves to the British gold reserve. In such circumstances the gold reserve would soon become exhausted, and for the second time within three years the convertibility experiment would end in disastrous failure.

Amott, Baker Reopens Boston Branch

BOSTON, MASS. — Amott, Baker & Co., Inc., Investment Dealers, of New York City, announce the reopening of their branch office in the 10 Post Office Square Building, Boston, Mass.

The office will be under the management of Henry W. Armington, who previously was associated with Moors & Cabot in Boston.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Bank Stocks

Bank stocks since the final months of 1949 have been attracting increased investor attention.

Although the outlook for earnings during 1950 is relatively favorable and results for the period should be near those of last year, the primary reasons for the recent interest would appear to arise from factors which are not directly related to bank operations. Because of their nature these considerations could have a material effect upon the reported earnings and/or the demand in the market for bank shares.

Of primary importance in this connection is the matter of Federal Deposit Insurance Corporation assessments. While in former years there was a certain amount of agitation about these charges, nothing was accomplished in the way of reducing them. It now appears likely that some adjustment in assessments and coverages will be made this year.

At present there is under consideration in Congress a bill (Maybank Bill) the effect of which would be to reduce the annual assessment by approximately 60% and raise the deposit coverage from a maximum of $5,000 to $10,000. Since its formation in the early thirties the FDIC has charged the insured banks an annual assessment of one-twelfth of 1% on their total deposits. Because of the low level of losses during the past 15 years and the growth in deposits, the FDIC has been able to repay its original capital and to accumulate a reserve of over $1 billion.

Deposit losses due to bank failures during the past several years have been practically nonexistent. This fact combined with the excellent present condition of the banks and the large reserve of the FDIC has resulted in the present bill to revise the assessments. The important provisions of the Maybank Bill call for an increase in the deposit coverage from the present $5,000 to $10,000 and the refund or transfer on a pro-rata basis of 60% of the net assessment as a credit against charges for the next year.

The bill has received a large amount of official support with some important authorities suggesting a credit of as much as 75% of the annual assessment. Regardless of such details, however, there is a large area of agreement on the principles involved and this seems to assure the passage of legislation favorable to a reduction in the present effective rate of assessment.

If such a diminution in assessments by the FDIC should be made, it could have a favorable effect on operating earnings. For New York City banks an increase in the operating income of around 8-10% could be shown providing the full amount of reduced charges after taxes was carried through to net operating earnings.

Another important factor in the current outlook for share prices and one which may become of increasing importance is the possibility that pension and trust funds will enter the market as more active purchasers of bank shares.

The growth of pension plans is expected to increase materially the investment funds seeking outlets. The relatively low yields available on quality bonds and the need for income to carry out the various programs has a tendency to limit the quantity of funds that it is desirable to place in such low-income obligations.

Conversely, the yields available on quality equities presents an opportunity for such funds to increase their income. Because of the long dividend records and the relatively stable earnings, bank stocks rank among the highest investment issues. For this reason bank stocks are considered likely candidates for inclusion in pension funds fortfolios if and when such funds begin purchasing equities in quantity.

The present level of earnings of the larger banks provide a good coverage for existing dividend rates. Approximately 60%-70% of operating income is distributed. The current yields available in most cases range between 4%-5% and the various shares are reasonably priced in relation to book values.

Already there have been reports that some of the funds have recently been adding quality common stocks to pension portfolios. Obviously, this could be an increasingly important factor in the market for New York City bank stocks.

Another consideration which lends attraction to bank stocks is the tax advantage they have over bonds when held by corporations or other institutions. For Federal income tax purposes 85% of the dividend income received is deductible. Only 15% is taxable at the full rate. This in effect makes the tax rate 5.7% on dividend income as against 38% on bond interest. This is particularly significant to institutional investors such as fire and casualty insurance companies where there is a desire to expand investment income.

With states such as Massachusetts liberalizing the legal limitations on investments in equities, the above considerations could become increasingly important in the market for bank shares.

Underinvestment— Cloud On Economic Horizon

By ROBERT P. BOYLAN*

Chairman of Board of Governors, New York Stock Exchange

Asserting wellbeing of nation depends on proper balance of consumption and investment, N. Y. Stock Exchange executive sees underinvestment in equity capital a dark cloud on economic horizon. Says free economy cannot meet needs of growing population without increasing number of investors, and lists as disturbing factors: (1) restrictive taxes; (2) high cost of government; (3) unfair competition of business from tax free organizations; and (4) government lending to private industry.

This dinner of the Association of Stock Exchange Firms, held so fittingly in the nation's capital, is of special importance because it brings together representatives of Government and business. We are accustomed to being on the receiving side in listening to Government. This time the position is reversed and Government is going to listen to business. I hope that all of you enjoy the experience. We are happy indeed to have so many distinguished members of both houses of Congress and of the Executive branch of Government with us tonight.


Robert P. Boylan

This year, 1950, marks the 150th Anniversary of the moving of the seat of government from Philadelphia to Washington. As many of you know, plans are under way to hold a Freedom Fair here next year to celebrate "150 Years Under a Free Economy." It is being sponsored by the Government. Congress has approved it. All sections of our national life have been invited to participate. Such an exposition has great possibilities in dramatizing the progress of our country under our American system—way of life—call it what you will—which has brought us so far in the last century and a half.

The New York Stock Exchange, formed not long after the Revolutionary War, and now but three months from its 158th Anniversary, is proud of the historic parallel between it and the Republic. To me, the significance of this parallel lies in the fact that free markets and a free economy—you cannot have one without the other—have existed in the United States for a century and a half, drawing their strength from increasing consumption and from thrift and investment.

During those 150 years, the well-being of the nation has been at all times dependent upon a proper balance between consumption and investment. Imbalance is always upsetting to the American economy. To cite an example: In the twenties, consumption was neglected. Income was not well distributed. There was too much at the top—not enough at the bottom. A condition of under-consumption developed. Today, investment is neglected. Underinvestment is evident on the part of individuals and of business. This is an alarming trend, particularly when we consider that it takes about $5,000,000,000 annually in new investment to create some 700,000 new jobs for young people entering the labor force each year.

Industry cannot provide these new jobs unless it can raise ownership capital. Ownership capital is not now available on favorable terms. Last year, as measured by Moody's, the average yield was 2.96 per cent for corporate bonds and 6.63 per cent for common stocks. Thus, it theoretically costs a company 2¼ times as much to obtain ownership capital as to go into debt.

Faced with the necessity of going into debt to finance improvements and expansion, or of drawing on current earnings, a company, unless exceptionally situated, usually will undertake only the essential. It will not invest the large sums needed for growth and development. Thus, it cannot utilize research and productive efficiency to create the new and better products at lower prices needed to improve the living standards of the lower income groups.

Permit me to review for a moment the reasons why underinvestment is putting a cloud on the economic horizon. During the depression preceding the war, a school of economists decided that most of our troubles were due to under-consumption and that savings should be taxed away and spent in an effort to increase consumption. Their formula was accepted and the Government taxed and spent freely. This tax philosophy still underlines our Federal tax policies. It has not been changed, although during the war and afterward consumption rose to levels that were undreamed-of at the time this tax theory was accepted. Meanwhile the equally vital problem of investment continues to be neglected.

In a sense, I speak for the American investor. I do not pretend to do so with his authority. Certainly, however, from my vantage point as the Chairman of the Board of Governors of the New York Stock Exchange, I am in a position to appraise the attitudes of investors. I know what the investor, the former investor and even the potential investor are thinking about in terms of their willingness or unwillingness to supply capital. The New York Stock Exchange has some 600 member firms with more than 1,500 offices located throughout the country. We are constantly in contact with these firms. They, in turn, are in contact with those who own the securities of American industry. These firms are also in touch with former owners who have become discouraged to the point where they have disposed of their investments. Our member firm organization, far flung as it is, is acutely aware of the fact that an extremely large number of people would like to employ their surplus funds. These people would form the habit of investment if conditions were made attractive for them.

A free economy, under which we have prospered for more than 150 years, cannot continue to expand and meet the needs of a rapidly growing country without an increasingly larger number of investors. It has been truly said that the American investor is the forgotten person in this country. Yet, the millions of men and women who invest in American industry and whose numbers would greatly increase if given reasonable assurance that they and their invested dollars would receive fair treatment, are among our most useful citizens. I am speaking of them not only as the suppliers of capital, without which our system would perish; but I have in mind also their qualities of thrift, their faith in American industry, their devotion to our free economy and our free institutions, and their rejection of the forces and influences that endanger our country.

May I tell you, briefly, what causes the fears that are uppermost in the minds of these millions of people:

(1) Restrictive taxes (and this is the factor of most immediate concern). I am referring to taxes that diminish the incentives of both the stockholders and the managers of business.

(2) The enormous growth of the Federal establishment, together with the indifferent attitude of large numbers of people with respect to the necessity of shrinking the size and the cost of Government.

(3) Tax-free organizations that are now doing an estimated $10,000,000,000 business annually, resulting not only in unfair competition, but in a substantial loss of tax revenue to the Government.

(4) The taking over by Government of lending functions which properly belong to our private capital markets, except when emergency conditions exist.

I would like to take this opportunity to mention another factor which is disturbing to investors and to business. This is a very widespread impression that Government and business are unfriendly—that some deep-seated antagonism divides them. I doubt whether this will stand up under analysis. Congress fully recognizes the urgent necessity of keeping our economic system strong and in this it is in complete agreement with business. Congress is an able, hard-working body, both vigilant and courageous with respect to the best interests of the country. I am sure that those who are acquainted with the complex problems with which it has to deal and with the pressure under which it works share my sympathy and respect for our Senators and Representatives.

A friendly relationship between business and government is highly desirable, and never more so than at this juncture in our national life. The need for harmony among all segments of our population has never been greater than at this time. I earnestly appeal to all for restraint in the interest of internal strength and solidarity.

Whatever weakens business confidence, retards the country's economic progress. All of us can remember the time when it seemed to be popular in one breath to praise the genius of American business and in the next breath to denounce the creators and guardians of our prosperity as men engaged in exploiting an unsuspecting public. Of course, this doesn't make sense.

As to the necessity of keeping our economic system strong, I would like to remind you that the rewards for achievement are taxed so steeply that they reduce the incentive of those who operate business and the incentive of those who would otherwise supply its capital. Such taxation is eating away the forces that have given America its strength—a strength that grew out of incentive and a strength that is unique among the nations of the world.

What we call the good life, for all of our people, can only be provided by a dynamic and expanding economy stimulated by incentive. Only the Government,

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*An address by Mr. Boylan at a dinner meeting of the Association of Stock Exchange Firms, Washington, D. C., Feb. 7, 1950

The Widow's Mite and The Indispensable Penny

By ALEXANDER WILSON*

The writer satirizes the prodigious possibility of the unsung and unjudged powers of a solitary but mighty Penny in a "time and interest progression" which would have become $503,441,000,000,000,000,000,000,000,000,000,000,000, the largest sum of money that the mind of man can comfortably comprehend if it has been compounded annually at 5% interest since the Birth of Christ 1 A. D. to 1920. The interest evolution of the Penny from 1920 to 1950 reaches an almost unbelievable money figure bearing witness to the "Miracle of Interest" activation.

That nifty little coin known as the cent-piece, the children's friend, the humble despised Penny, has a greater circulating velocity than any other piece of money on earth and still retains its rank as our most popular circulation medium.


Alexander Wilson

The nickel or 5 cent piece, has been sadly displaced in this inflated age and its purchasing value buys less now than before bus and subway fares were increased to the dime level. Once upon a time we were able to ride in the New York subways for a nickel or, as Mr. Shonts, former Interborough Railway President, expressed it, "until we were unconscious." Today, the once respected nickel will hardly buy anything tangible unless it is a small package of Smith Brothers cough drops.

Stop and think a moment, how many times we pay out Pennies everyday, everywhere, to make exact change (or receive back change for broken purchases) such as 6 cents 7, 8, 9, or 11, 12, 13, 14 and so on from 16 to 19 or 21 to 24 or 26 to 29 all the way with each 10 cent increase up to the dollar unit. The startling fact is that the Penny is King, because it is and can be used 80 times in the breakdown to make change all the way from the one cent piece to the dollar mark.

No, the housewife and wage earner cannot live without the lowly but mighty Penny in their daily transactions with the butcher, grocer, shoemaker or to pay sales taxes or buy postage stamps. Without the indispensable Penny neither buyers nor sellers could do business at all.

The Children's Best Friend

For aeons and aeons, Americans have been brought up on the virtues and powers of the Penny. The cent-piece was and, we like to think, will always be the children's best friend, a prize for good behavior or a reward for other lovely and affectionate things. A Penny in our childhood bought the coveted cent's worth of candy, a peppermint stick, a lolly-pop or some gum drops, a Penny valentine or some other wonderful purchase at that little candy store in the middle of the block near the big city school house.

Is there anyone who has forgotten the one, two, three or four Pennies a week which he earned, for performing daily chores at home or on the farm, maybe before he attained his maturity or before he left home to make his way alone in the world in the proverbial three dollars a week or less job. From infancy, childhood, youth and manhood, our respect for the humble and often dispised Penny rose to greater importance in our minds as we slowly matured into the spring time of manhood, the summer of endeavor, the autumn of final achievement and the winter of reflection and contemplation.

Is there anything other than air, water or food which is in more demand or as useful a utility in this everyday life of ours than this same children's Penny-piece? Could we live, work or prosper without it in our personal, social or commercial relationships?

The Little "Penny" Bank

And who has forgotten the little "Penny Bank" of his infancy—which was and is still a household institution designed to inculate the savings habit in the minds of the young. Be it said, too, that it was out of the sacred security of the "Penny Bank" that my dear "Momey," unbeknown to me and Daddy, would sometimes SNITCH a few pennies to make exact change to pay the iceman, the postman for overdue postage or the department store driver for his c. o. d package.

The "Penny Bank" of our adolescent days was in fact our first introduction to that most beneficent system of savings banks with which America is thrice blessed—this country, possessing 531 mutual savings banks with total deposits of over $19,500,000,000—the personal property of some 19 million individual depositors.

Yes, the world owes a lasting debt of gratitude to the Rev. Henry Duncan, a Scotsman, who in the year 1810 conceived and established the world's first real savings bank, called the Savings and Friendly Society, in a humble cottage in Ruthwell, Dumfrieshire, Scotland, to abolish pauperism through industry and thrift.

Benjamin Franklin and "Poor Richard"

That most versatile American, Benjamin Franklin, printer, philosopher, author, inventor and possibly America's ablest diplomat and statesman reverenced the power of the mighty Penny for its accumulative value. "Poor Richard" never tired in his adulation of thrift, saving, moderation, plain living and thinking.

With Benjamin Franklin, the apostrophe of happiness and success was the saving of Pennies which would make the saver free and independent of indigence in later life. The Old Sage of the City of Brotherly Love thoroughly believed in the Scotch adage that "Many a mickle makes a muckle." (Ask your librarian if this needs explanation.)

If there be any one who questions the fallacy of these lines, need we offer any more positive proof of the might of the Penny, than the subjoined interest table.

Who is there among us who could glibly tell you off hand in terms of money how many dollars is indicated in the grand total listed below. Billions are a mere trifle in the final computation which follows.

Dizzy Approximations

It is worthy of notice that this vast sum of money if computed at 5% interest compounded annually, will double itself every 14 years and 75 days, according to "Van Dyke's Interest Tables."

Hence the sum total for the year 1920 in the above table will have grown to $2,013,764,000,000,000,000,000,000,000,000,000,000,000 expressed in terms of money as two duodecillions, 13 undecillions and 764 decillion dollars by May 30, 1948, plus one year and seven months additional interest to bring this prodigious total down to Dec. 31, 1950.

For instance our national debt of $252,481,062,000 could have been paid off in a few minutes if some Guardian Angel had started one lonely cent on its 5% interest bearing jaunt, just 1950 years back.

How puny, and at this point I respectfully ask Washington and all small town politicians in this land of ours to please take notice that our $252 billion debt would seem insignificant today in the light of what the mighty Penny can do if it is **saved and not mis-spent** in foolish taxes and unsound appropriations.

And how insignificant that backlog of $24,478,978,744 of gold, mind you real gilt color gold, buried so many feet below ground in Alben W. Barkley and his

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How Money Grows

The following table shows the accumulation of a one cent fund, compounded annually at 5%, from the birth of Christ to 1920.

At the end of the year A. D.	Amount in Dollars
1	.01
100	1.31
200	172.93
300	22,740
400	2,990,300
500	393,230,000
600	51,711,000,000
700	6,800,000,000,000
800	894,210,000,000,000
900	117,590,000,000,000,000
1000	15,463,000,000,000,000,000
1100	2,033,400,000,000,000,000,000
1200	267,400,000,000,000,000,000,000
1300	35,163,000,000,000,000,000,000,000
1400	4,624,000,000,000,000,000,000,000,000
1500	608,060,000,000,000,000,000,000,000,000
1600	79,961,000,000,000,000,000,000,000,000,000
1700	10,515,000,000,000,000,000,000,000,000,000,000
1800	1,382,700,000,000,000,000,000,000,000,000,000
1900	181,830,000,000,000,000,000,000,000,000,000,000
1910	296,180,000,000,000,000,000,000,000,000,000,000
1920	$503,441,000,000,000,000,000,000,000,000,000,000

*Writer of "Why a New League of Nations Will Not Insure Permanent Peace," in "The Chronicle," March 9, 1944, and a "Reply to Critics" of this article, March 30, 1944; also "Peace by Force in an Uncivilized World," Nov. 16, 1944; "Are Americans Isolationists?" Jan. 11, 1945; "The Failure of the White Man's Civilization," March 22, 1935; "How President Truman Can Regain his Lost Prestige," Feb. 13; "Is Capitalism the Cause of Wars?" Nov. 27, 1947; "A Critical View of American Politics," Oct. 28, 1948; "Straight from the Shoulder Advice to Gov. Dewey," July 15, 1948; "Can America Prosper without Foreign Trade?"—July 29, 1948; "A Plan for Solving the British Crisis," Sept. 22, 1949: and "The 'Sun' That Was," Jan. 12, 1950.

Canadian Securities

By WILLIAM J. McKAY

In view of recent experience and the current circumstances, to relax restrictions on imports from this country might appear on the surface to be somewhat reckless. Although the Dominion's exchange reserves have strengthened during the past year the effects of the 1947 abrupt change from strength to weakness are still a sobering memory. The uncertain situation with regard to sterling markets and the question of sterling inconvertibility are also factors that would normally call for extreme caution in dispensing with protective controls.

It is to be presumed therefore that this display of confidence on the part of the Canadian authorities is justified by a superior knowledge of current and future factors which have a determining bearing on the Dominion's economic position. In analyzing the situation as a whole there is little question that the present inconvertibility of sterling is the weakest link in the Canadian economic chain. If sterling at its current level could be strengthened and convertibility restored Canada's most difficult economic problem would be automatically solved.

With this consideration in mind it is interesting therefore to conjecture in what manner this might be accomplished and whether some progress has already been made in this direction. Already suggestions have been made north of the border to the effect that the Dominion should accept inconvertible sterling in payment of exports to the United Kingdom, and there is little doubt that the matter is receiving official consideration. On both sides of the border the problem of sterling convertibility is becoming an urgent issue and the tripartite discussions that will take place following the British election should produce constructive results. Canada therefore is probably prepared to direct its economic policy in intelligent anticipation of a favorable outcome of the U. S.-British-Canadian meeting.

World events also are now bringing compulsion to bear on an early settlement of the economic difficulties of the Western democracies. Foremost among these is the problem of the restoration of freer international commerce on the basis of a freer interchange of European and dollar currencies. Before any progress can be made in this direction, however, the stumbling block of sterling inconvertibility must be removed. The previous piecemeal approaches to the solution of this problem constituted by the granting of loans, Marshall Plan aid, and the establishment of the World Bank and Fund have resulted in inglorious failure. In addition to the lack of success in the achievement of the desired objectives, the global approach has merely led to disillusionment and recrimination.

It is timely, therefore, to reconsider the only practical approach to the solution of this thorny problem, namely the Key Currency plan. This was strongly advocated prior to the White and Keynes schemes that subsequently resulted in the idealistic Bretton Woods proposals that culminated in the establishment of the World Bank and Fund. In brief the essential prerequisite to multilateral exchange convertibility and the restoration of normal international trade is the effective stabilization of the pound vis-a-vis the dollar. This could be achieved by concerted action on the part of this country, Britain, and Canada. A stabilization fund could be created largely from funds subscribed by this country and Canada for the purpose of underwriting the current valuation of sterling. The first task of the new Tripartite Currency Union would be the scaling down and funding of the wartime blocked sterling balances. Then the bridging of Britain's dollar gap would present few difficulties. In addition to the broad scheme for the rehabilitation of sterling and the restoration of its full convertibility an agreement for the practical revision of tariffs between the dollar and sterling areas would widen still further the scope for increased U. S.-British-Canadian trade.

The underwriting of sterling at its present practical level would take the place of outright gifts, loans, and the various global schemes which in the final analysis have a similar objective in view. The stabilization of the world's key currencies, the U. S. and Canadian dollars, and the pound sterling, would effectively pave the way for multilateral exchange convertibility and the restoration of a more normal flow of trade throughout the world. It is to be hoped that Canada's evident confidence in her ability to remove trade restrictions despite the apparent current difficulties is indeed based on intelligent anticipation of bold constructive action along these lines in the period immediately ahead.

During the week there was little activity in the external section of the bond market apart from the successsful placing of the new Quebec 5-year $2\frac{1}{8}$s, in which there were initial dealings at a small premium above the issued price. The internals continued dull and slightly easier. There was also a small decline in the corporate arbitrage rate to $13\frac{1}{2}$%-$12\frac{3}{4}$% but free funds were again firmer at a fraction above 10%. As it is expected that U. S. bids will predominate at the forthcoming Alberta oil-lease auctions it will not be surprising to see the level of the unofficial dollar move still more closely in line with the official rate. The feature of the stock markets was the persistent decline of Western oils following concern regarding the marketing of Alberta's surplus oil. The list in general likewise drifted lower although a few junior golds displayed resistance to the downward trend.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

The Central Savings Bank of New York announces that at a meeting of the board of trustees on Feb. 14 Cleo F. Craig was elected a Trustee of the Bank. Mr. Craig, a Director of the American Telephone & Telegraph Co. and its Vice-President in charge of Finance, has been associated with that company during his entire business career, having joined it in St. Louis 36 years ago. He is also a Director of the National Safety Council and The Citizens First National Bank & Trust Company of Ridgewood, N. J.


Cleo F. Craig

* * *

William A. Lyon, New York State Superintendent of Banks, announced on Feb. 14 that a second and final liquidating dividend of $6.75 per share amounting to $175,500, is being paid to the stockholders of **Banco di Napoli Trust Company of New York** upon presentation of their stock certificates. The announcement follows the signing of an order by Justice Louis A. Valente in the Supreme Court on Jan. 19, 1950, approving the final accounts of the Superintendent and authorizing the payment. A further order declaring the trust company dissolved and its corporate existence terminated is about to be entered. The trust company was closed on Dec. 11, 1941, on the outbreak of the war between the United States and Italy. Total liabilities to depositors and creditors amounting to $11,614,263.59 have since been paid in full. Out of 26,000 shares of Trust Company stock outstanding, 25,381 shares were owned by an Italian bank and were vested by the Alien Property Custodian as enemy owned property. As a result, in September, 1944, when a first distribution of $60 per share amounting to $1,560,000 was made to stockholders, $1,522,860 was paid to the Custodian. In the spring of 1949 the Attorney General, successor to the Custodian, returned the stock to its former owner and paid over to it the amount so received by him. The liquidation of the Trust Company is the first to be completed out of 11 enemy owned banking institutions taken over on the outbreak of the war.

* * *

Joseph A. Thomas, partner in the firm of Lehman Brothers, has been elected to the Advisory Board of the 30 Broad Street Office of **Chemical Bank & Trust Co., of New York**, according to an announcement made by N. Baxter Jackson, Chairman of the Bank. Mr. Thomas is also Chairman of the Board of American Export Lines, Inc., a member of the Executive Committee and Director of the Flintkote Co. and Chairman of the Finance Committee and Director of National Airlines, Inc.

* * *

Elias A. Cohen has leased to the **Colonial Trust Co. of New York**, of which Arthur S. Kleeman is President, 90-96 Wall Street, at the Northeast corner of Water. Extensive improvements will be made by the tenant and possession taken on May 1. The premises consist of the entire ground floor and most of the basement. The new quarters will give the Colonial the space that is required due to the growth of its business at 57 William Street corner of Cedar. The brokers were the Charles F. Noyes Co., Inc., agents for the building.

* * *

The Comptroller of the Currency reports that effective Jan. 17 the title of the **Meadowbrook National Bank of Freeport, N. Y.**, was changed to the **Meadow Brook National Bank of Freeport.**

* * *

As the result of a stock dividend of $62,500, the capital of the **Peoples National Bank & Trust Co. of White Plains, N. Y.**, was increased on Jan. 12 from $437,-500 to $500,000.

* * *

The New York State Banking Department on Jan. 30 approved the certificate of the **Security Trust Company of Rochester, N. Y.**, whereby its capital stock is increased from $2,400,000, consisting of 96,000 shares of the par value of $25 each, to $2,450,000, consisting of 98,000 shares of the par value of $25 each. The action of the stockholders in authorizing the increase on Jan. 18 was noted in our issue of Feb. 2, page 534.

* * *

Effective Jan. 18, the **First-Mechanics National Bank of Trenton, N. J.**, increased its preferred stock from $400,000 to $1,000,000 (RFC), it is learned from the Jan. 23 Bulletin of the Office of the Comptroller of the Currency.

* * *

F. Morse Archer, Chairman of the Board of the **First Camden National Bank & Trust Company of Camden, N. J.**, died at St. Petersburg, Fla., on Feb. 1. He was 76 years of age. A resident of Haddonfield, N. J., Mr. Archer, it was stated in the Philadelphia "Evening Bulletin" of Feb. 2, was President of the National Bank of Camden from 1918 to 1922. He continued as President when it became the First National State Bank of Camden from 1922 to 1927 and was re-elected President when that bank became the First Camden National. He became Chairman of the board in 1947. It is also stated that Mr. Archer was admitted to the New Jersey Bar in 1897 and practiced until 1918.

* * *

The appointment of William H. Hassinger as a new Vice-President of the **Federal Trust Co. of Newark, N. J.**, was announced on Jan. 13 by President David J. Connolly. The Newark "Evening News" in indicating this stated that "Mr. Hassinger's activities as a securities broker were interrupted during the war, when he was drafted by the Treasury for war finance work in New Jersey. The "News" further said:

"He was associated with Internal Revenue Collector Manning in war bond drives during the war and more recently has been Director of Public Relations and Advertising in the savings bonds division of the Treasury under State Director Raymond A. Glennon."

* * *

Leon S. Milmed, Deputy State Attorney General and counsel to Governor Driscoll, of New Jersey has been elected to the board of the **West Side Trust Company of Newark, N. J.**, and V. Peter Iorio, President of Iorio Construction Co. has been named a member of the advisory board of the Peoples Branch of the institution, the Newark "Evening News" of Jan. 26 stated. It added that John F. Dolan has been elected Assistant Vice-President and Manager of sales finance department.

* * *

The **Philadelphia National Bank of Philadelphia, Pa.**, announced on Feb. 9 that $5,000,000 has been made available for making loans, in cooperation with local banks, to small businesses throughout the Third Federal Reserve District, including Pennsylvania, New Jersey and Delaware. Frederic A. Potts, President of the bank, in announcing the plan said that over 1,500 banks are being circularized to acquaint them with the details of the program. Under the plan, loans in amounts up to $25,000 and maturing within a period of three years will be made and serviced by the local bank. At the request of the local bank, the Philadelphia National will accept participation up to 90% of the loan and will allow the originating bank a service fee for handling the loan.

* * *

J. Frank Boyer, Vice-President and director of the **Norristown-Penn Trust Co. of Norristown, Pa.**, died on Feb. 4 at the age of 83 years.

* * *

Four officers of the **Pennsylvania Company for Banking & Trust of Philadelphia** were promoted on Feb. 1, said the Philadelphia "Evening Bulletin." They are William L. Day, Vice-President, moved up to Executive Vice-President; William F. Kriebel, Vice-President and Treasurer, now Senior Vice-President of the operations department; William F. Kelly, Vice-President of the time sales division, became Senior Vice-President of the loans and credit department, and William M. David, promoted to Senior Vice-President from Vice-President, will continue as head of the trust department.

* * *

M. W. Boering has been elected Vice-President in charge of consumer credit at the **Commonwealth Trust Company of Pittsburgh.** William B. McFall, President announced, it is learned from the Pittsburgh "Post Gazette" of Jan. 23, which added:

"Other newly-elected officers are: H. R. Owens, Vice-President and Comptroller; G. L. Beitel, Treasurer; H. A. House, Edward McHugh, Roy S. Blackstock, Assistant Secretary Treasurer; William C. Wilmot, Assistant Treasurer and Auditor; and H. J. Mayer, Manager, Mt. Lebanon branch."

* * *

The election of Edgar T. Adams, Jr., and Fred A. Uphoff as Vice-President of the **Peoples First National Bank & Trust Co. of Pittsburgh** was made known in the Pittsburgh "Post Gazette" of Jan. 31, which further said:

"Mr. Adams joined Peoples in 1947, and was elected Assistant Vice-President in 1948. In banking since 1918, Mr. Uphoff is assistant manager of the Northside branch."

It was also stated that Gilbert N. Herzberg was elected Assistant Cashier and Fred C. Masten, Jr., was named Assistant Secretary.

* * *

The election of Marion E. Chapman and Dr. Philip Cocke Trout as new members of the Advisory Board of **The Bank of Virginia in Roanoke, Va.**, has been announced. Mr. Chapman is Vice-President in charge of sales for the Virginia Bridge Company. He has been with the company for 34 years. Since 1944, he has been a director of the Roanoke company. Dr. Trout is orthopedic surgeon with the Jefferson Hospital in Roanoke. He served in the U. S. Army during World War II with the 24th General Hospital Unit in the Mediterranean Theatre, attaining the rank of Major.

* * *

The **Peoples National Bank of Lynchburg, Va.**, changed its title effective Jan. 12, to the **Peoples National Bank & Trust Co.**, it is learned from a recent bulletin of the Office of the Comptroller of the Currency.

* * *

Changes in officers of the **Atlas National Bank of Cincinnati, Ohio**, announced on Jan. 10 by Fred A. Dowd, President, result in the advancement of Clifford E. Liebing and F. Edward Ostendorf from Assistant Cashiers to Vice-Presidents; Gustav E. Gebhart from Assistant Trust Officer to Trust Officer and Thomas U. Usher from Paying Teller to Assistant Cashier. The foregoing is taken from the account by Richard Havlin and Frank Kappel, in reviewing in the Cincinnati "Enquirer" of Jan. 12 the changes at the various bank meetings in the city. The account went on to say that other changes made in the Atlas National were the elevation of Robert J. Ott, Vice-President and Trust Officer, to Executive Vice-President and Trust Officer, and the advancement of Edwin F. Tueting from Cashier to Vice-President.

* * *

Ernest C. Harris, Vice-President of the **Federal Reserve Bank of Chicago** and Executive Head of Detroit's autonomous branch, has been named First Vice-President with duties in Chicago. The Detroit "Free Press" of Jan. 29, in dictating this, said that Mr. Harris will be succeeded in the Detroit branch by H. J. Chalfonte, who has served as Manager and is now appointed Vice-President. The change became effective Feb. 1.

* * *

Effective Jan. 17 the **Liberty National Bank of Chicago** increased its capital from $300,000 to $600,000 by a stock dividend of $300,000.

* * *

The capital of the **Peoples National Bank of Grand Rapids, Mich.**, has been enlarged as of Jan. 23, from $600,000 to $750,-000 by a stock dividend of $150,-000.

* * *

The **First National Bank & Trust Co. of Racine, Wis.**, announced at its annual meeting in January, according to the Milwaukee "Journal," that it was increasing its capital to $1,000,-000. The "Journal" added:

"The bank has been capitalized at $800,000 since 1940. The increase was made by declaring a 25% stock dividend, giving each shareholder an additional share for each four held."

* * *

The sons of the late Michael Schneider replaced him as President and a Director of the **Mitchell Street State Bank of Milwaukee, Wis.**, at the annual meeting, it is learned from the Milwaukee "Journal," which likewise reported:

"Leo J. Schneider, formerly a director, was elected President. Michael H. Schneider was named a director. Elected to the newly created post of Executive Vice-President and Cashier was Richard Czajkowski, Cashier, E. H. Ball was named Vice-President.

* * *

Two new Vice-Presidents were elected and an Acting Cashier was appointed on Jan. 12 at the annual board meeting of the **First Wisconsin National Bank of Milwaukee, Wis.** George F. Kasten and John L. Gruber, both Assistant Vice-Presidents, were advanced to Vice-Presidents, it was stated in the Milwaukee "Journal" from the advices of which we also quote.

"Nicholas Rendenbach, an Assistant Vice-President, was named to act as Cashier and Secretary of the board, pending election of a successor to A. G. Casper, Cashier, who died in December. All other officers were reelected."

* * *

Mrs. Emily L. Froede, widow of Fred Froede, who was President of the **Home Savings Bank of Milwaukee, Wis.**, until his death last year, was elected head of the institution at the recent annual meeting. From the Milwaukee "Journal" it is also learned: She succeeds Faustin Prinz, who submitted his resignation at the annual meeting of the directors.

Other officers named were Frank P. Meinecke, an attorney, as Vice-President and Counsel. He and Mrs. Froede also were elected directors. Raymond O. Hebenstreit, named as a new Director, as was J. J. Meyer. Erwin Kant and Frank Skobis were renamed directors.

* * *

Two new Vice-Presidents were named by the **Lincoln State Bank of Milwaukee, Wis.**, according to the Milwaukee "Journal" which added: "They are Casimir Koss and Kasimir Janiszewski, who also was named a new Director. Other new directors are Bruno Blochowiak and Max Gapinski, who also was named Cashier."

* * *

The directors of the **Midland National Bank of Minneapolis** at their annual meeting in January advanced John P. Knutson from the post of Assistant Cashier to that of Assistant Vice-President. Everett J. Swanson was elected Assistant Cashier, the Minneapolis "Star" reported.

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The capital of the **First National Bank in Wichita, Kan.**, has been increased from $1,000,000 to $2,000,000, effective Jan. 18, through a stock dividend of $1,-000,000.

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The capital of the **First National Bank and Trust Co. of Oklahoma City, Okla.**, was increased as of Jan. 17 from $5,000,-000 to $6,000,000 by a 20% stock dividend of $1,000,000.

* * *

At their annual meeting in January the directors of the **Mercantile - Commerce National Bank in St. Louis** appointed Merle M. Sanguinet Assistant Vice-President and Howard P. Anthes Assistant Cashier.

* * *

Control of the **Jefferson Bank & Trust Co. of St. Louis, Mo.** has been acquired by Peter W. Herzog, formerly Vice-President and Cashier of the **Industrial Bank of St. Louis**, and Dillon Ross, formerly Vice-President of the General Contract Purchase Corp. of Sikeston, Mo. Control of the Jefferson Bank, which has more than $10,000,000 deposits, was acquired from Byron Moser and Byron Moser, Jr., and their associates according to the St. Louis

"Globe Democrat" of Jan. 29, from which we also quote:

"Mr. Herzog was elected Chairman of the Board and Mr. Ross was elected a Director, along with John W. Mueller, and Emil Niehaus. August N. Bergfeld will remain as President, Walker MacMillan as Vice-President, R. W. Poertner as Cashier. Retiring from the board of directors are Byron Moser, Byron Moser, Jr., F. D. McDonald, B. J. Menkhaus, J. Marvin Kraus and James E. Rarick. Capital and surplus of Jefferson Bank is $450,000, consisting of 12,500 shares of $20 par value stock.

* * *

The Industrial Bank of St. Louis, Mo., has changed its name to the **Bank of St. Louis**, it is announced by President Arthur Blumeyer, according to the St. Louis "Globe Democrat" of Jan. 31.

* * *

Through a stock dividend of $500,000 the **Hamilton National Bank of Chattanooga, Tenn.** increased its capital as of Jan. 17 from $2,000,000 to $2,500,000.

* * *

The election of Alex. Mitchell and H. A. Irving as Vice-Presidents of the **Barnett National Bank of Jacksonville, Fla.**, was announced on Jan. 24 by President W. R. McQuaid, following the annual meeting of the stockholders, it was indicated in the Florida "Times-Union" of Jacksonville. Both, it is noted, are employees of the bank. Mr. McQuaid, it is stated, presided over the meeting in the absence of Bion H. Barnett, Board Chairman, who is recovering from an illness.

* * *

A stock dividend of $1,000,000 has served to increase the capital of the **First National Bank of Birmingham, Ala.**, from $5,000,000 to $6,000,000. The enlarged capital became effective Jan. 13.

* * *

Oliver G. Lucas, President of the **National Bank of Commerce in New Orleans, La.**, since the bank was organized in 1933, was elected Chairman of the board at the annual meeting in January. At the same time, Dale Graham was named President of the bank; Mr. Graham advances from the post of Senior Vice-President. At the organization of the banks in 1933, Mr. Graham was made Cashier.

* * *

At the annual meeting of the **Hibernia National Bank of New Orleans**, F. George Ramel was named to the post of Auditor, succeeding as Auditor O. J. Howat, who, in addition, has been Assistant Vice - President. Mr. Ramel, says the New Orleans "Times Picayune" of Feb. 2, has been with the bank since its organization in 1933.

* * *

The issuance of $1,500,000 of new stock of the **Republic National Bank of Dallas, Texas**, recently brought its capital up to $13,500,000 from $12,000,000; the capital was increased as of Jan. 10. Reference to the proposed issuance of the new stock was noted in these columns Jan. 12, page 169. The bank, which claims to be the 50th largest in the country, observed its 30th anniversary on Feb. 14. Advices from the bank state that the Republic was organized originally as the **Guaranty Bank and Trust Company** and was known as the Day and Night bank. The original capital was $100,000, whereas today the bank's capital structure stands at $30,000,000. It is noted that the growth of the bank is reflected by deposits on the opening day of $804,524, compared to deposits of $339,870,845 as of Dec. 31, 1949. During the entire life of the bank it has been located where it stands today. The growth of the bank has required three changes in its physical quarters and only recently the fourth change was announced, that being a new building to be constructed on a plot of ground comprising 45,000 square feet and bounded by three main arteries, Pacific, Ervay and Bryan. The proposed new structure will be modern in all its details. Fred F. Florence is President of the bank.

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At a meeting on Feb. 3 of the directors of the **First National Bank of Dallas, Tex.**, Ben. H. Wooten, a Vice-President, was elected President. At the same time, Edgar L. Flippen, heretofore President, was made Chairman of the board, and Nathan Adams, who had served as Chairman, was named Honorary Chairman. The Dallas "Times-Herald" of Feb. 4 in reporting this also said:

"Three shifts in directors were also approved. Earl Fain, M. I. Freedman and A. M. Matson were named advisory directors, while Wooten, Robert J. Smith and W. A. Green, Jr., were elected to the board.

"Mr. Wooten came to Dallas in 1944 from Little Rock, Ark., where he was President of the **Federal Home Loan Bank of Little Rock.** He still retains the title of Chairman of the board of this financial house."

* * *

The **Idaho First National Bank of Boise, Idaho**, increased its capital from $2,000,000 to $3,000,000 on Jan. 13 through a stock dividend of $1,000,000.

* * *

Frank J. Belcher, Jr., relinquished on Jan. 25 the Presidency of the **First National Trust & Savings Bank of San Diego, Cal.**, and was succeeded in the post by Anderson Borthwick, Executive Vice - President. Press advices from San Diego appearing in the Los Angeles "Times" of Jan. 25 stated that "Mr. Belcher, who will continue as Chairman of the board, joined the First National Bank as Cashier in 1907. He was President from 1919 until today." Mr. Belcher is a past President of the California Bankers Association and Mr. Borthwick is a member of the Executive Council of the California and American Bankers Association.

* * *

The **Anglo California National Bank of San Francisco** opened a second banking office in Sacramento in the Oak Park District on Jan. 30, as a result of its acquisition on Jan. 28 of the business of the **Citizens Bank of Sacramento**, according to a joint announcement by Allard A. Calkins, President of the Anglo Bank, and Earl O. Schnetz, President of the Citizens Bank. W. E. Kiekenapp, Cashier and Secretary of the former Citizens Bank, has been appointed Assistant Vice-President and Manager of the new Anglo office. M. L. Strandell, previously Assistant Cashier and Assistant Secretary of the Citizens Bank, has been named Assistant Manager. Earl O. Schnetz and George C. Bassett, President and Vice-President, respectively, of the former Citizens Bank, are members of Anglo Bank's Sacramento Advisory Board. The Citizens Bank was established in 1909 as the Citizens Bank of Oak Park, then a separate unincorporated community. In 1917, when Oak Park had become part of the city of Sacramento, the bank increased its capital and changed its name to the Citizens Bank of Sacramento. Its deposits as of Dec. 31, 1949, were approximately $9,000,000.

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The directors of the **Peoples National Bank of Washington at Seattle, Wash.**, at their meeting on Jan. 17 elected C. L. Yost Executive Vice-President of the bank. Mr. Yost has been associated with the Peoples National Bank since 1929, first as Cashier, and in 1935 was elected Vice-President and Cashier. Since 1942 he has served actively as Secretary and Treasurer of the Seattle Clearing House Association. To assume the duties of Cashier, now being relinquished by Mr. Yost, Robert G. Perry was elected Cashier. Mr. Perry has been associated with the bank since January, 1936, three years of which were devoted to military duty. Returning to the bank in 1935, he was elected Comptroller. D. Greenfield, who joined the bank in 1937, was elected Assistant Cashier. Emmett Arndt was elected Assistant Auditor on Jan. 17. Coming to the bank in 1940 he has been employed in the Auditing Department since 1945 when he returned from military duty.

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Noah A. Timmins, President of the N. A. Timmins Corporation, has been appointed a Director of the **Bank of Montreal** (head office Toronto) according to an announcement Feb. 14 by B. C. Gardner, President. An Executive Vice-President of the Chromium Mining & Smelting Corp., Ltd., and a Director of Hollinger Consolidated Gold Mines Limited, and other mining companies, Mr. Timmins is identified with the development of the northern mining area of Quebec and Ontario. He is also identified as an official or Director with various other companies.

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The Royal Bank of Canada, head officer **Montreal**, announced on Jan. 30 the appointment of G. W. Bellevue as Supervisor of the bank's 56 branches in Manitoba. He will succeed M. A. O'Hara, who is retiring on pension. T. C. Marshall has been appointed Manager of the main Winnipeg Branch, succeeding Mr. Bellevue.

Gerstley, Sunstein Planning on Moving

PHILADELPHIA, PA.—Gerstley, Sunstein & Co. have signed a long-term lease through Frank G. Binswanger, prominent Philadelphia real estate broker, for the entire seventh floor at 121 South Broad Street, Philadelphia. The firm has been in the investment business since 1922 and are nearly doubling their present space in an expansion program.

Upon completion of alterations, which will include air-conditioning of the offices, a new electric stock quotation board, and other comforts and conveniences, Gerstley, Sunstein will have one of the most modern and attractive offices in the city.

With P. W. Brooks & Co.

(Special to The Financial Chronicle)

AUGUSTA, MAINE—Robert D. Ault is associated with P. W. Brooks & Co., Inc., 283 Water Street.

Rosenthal Co. Admits

Benjamin D. Fidanque, Jr. will be admitted to partnership in Rosenthal & Co., 60 Beaver Street, New York City, members of the New York Stock Exchange, on March 1. Mr. Fidanque has been with the firm for some time.

With Walston, Hoffman

(Special to The Financial Chronicle)

SAN FRANCISCO, CALIF.—Thomas F. Frawley, Jr., is with Walston, Hoffman & Goodwin, 265 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

Paul Rudolph Adds

(Special to The Financial Chronicle)

SAN JOSE, CAL.—Marshall C. Kelley has been added to the staff of Paul C. Rudolph & Co., 40-D South First Street.

Bank Sees Decline in Investment Outlets for 1950—No Firming of Interest Rates Likely

Stresses Need for Longer Term Treasury Offerings.

The easier tone in the market for Government securities in recent weeks does not portend a trend toward higher interest rates, according to the Bond Department of Bankers Trust Company. In its annual review entitled, "United States Government Securities and the Money Market," published Feb. 14, the Bank concludes that commercial banks, insurance companies and other investors may be faced with a decline in suitable investment outlets and a reduction in earnings. Pointing to the nearly $40 billion of Treasury bonds maturing or callable in 1950-52, the Bank observes that the Treasury has an opportunity to meet the problem by offering the market new longer term obligations.

Private Investment May Decline

The business and price outlook suggests that the capital requirements of industry and private construction financing will be lower in 1950. Business will probably continue to operate at relatively high levels during the next few months. There may be some decline in activity later in the year, however, when moderate reductions are anticipated in private construction, inventory accumulation, production of automobiles and agricultural implements, and Government cash outlays. Moreover, plant and equipment spending is expected to be lower in 1950 than in 1949.

No important rise in commodity prices is expected during 1950 despite the large Federal deficit in prospect. On the contrary, there may be some further decline in the general index of wholesale prices later in the year. As a part of the deficit will be financed through non-marketable Government issues, there is not likely to be a big increase in the money supply or in the volume of marketable Treasury obligations.

Opportunity for Flexible Debt Management

The Bank's review makes a strong case for longer term Treasury offerings. It is observed that the underlying conditions of the investment market indicate a real need for an increase in the supply of longer term Government obligations. Discussing the Treasury's debt policies, the review finds that "a certain degree of flexibility in debt management in response to prevailing business and investment conditions is just as important as flexibility in interest rates." Some of the demand for bonds may be met by the Federal Reserve, which has recently shown a greater willingness to sell Treasury bonds. Eventually, however, some relief in the form of new longer term issues will be required if a further undesirable decline in bond yields is to be avoided.

The Bank cautions that continuation of the Treasury's present debt policy would tighten still further the screws on long-term interest rates at the expense of the people's savings. Unless the Treasury extends the terms and raises the rates of new securities offered in exchange for called or maturing bonds, there is a very real prospect of increasing competition for a dwindling supply of Government bonds. "In the broad problem of debt management, surely some consideration should be given to the fact that today more people than ever before rely upon life insurance, savings accounts, and pension funds for their future security."

No Trend Toward Higher Interest Rates

Interest rates and yields moved downward in 1949 as a result of easy money policies. In its review, the Bank refers to the recommendations of the Congressional Subcommittee headed by Senator Douglas for greater freedom of Federal Reserve action in regulating the supply, availability, and cost of credit. These recommendations are held to be sound in principle. "It would be highly unrealistic, however, to anticipate any major change in the level of long-term interest rates as a result of these recommendations." The realities of the situation make it apparent that the Treasury's requirements will continue to influence Federal Reserve policies to a high degree, regardless of any Congressional mandate or the powers of the Federal Reserve.

The Bank concludes that Federal Reserve action will be guided by business and price trends. "There may be a slight firming of short-term interest rates in the immediate future and a consequent easing of bond prices, but if the above assumptions regarding business and commodity prices prove accurate, this will not be the beginning of a trend toward higher interest rates. Restrictive credit action is not likely unless commodity prices show unexpected firmness, speculative sentiment increases, or bank loans for non-productive purposes rise significantly. If the business trend should turn downward later in the year, any differences of opinion between the Treasury and the Federal Reserve would probably disappear and they would then concur on easy money measures."

Alex. Brown & Sons To Admit McHenry

BALTIMORE, MD. — Alex. Brown & Sons, investment bankers, announce that James McHenry of Glyndon, Md., will become a general partner of the firm as of March 1, 1950, subject to the approval of the New York Stock Exchange.

James McHenry

Mr. McHenry has been a vice-president of the Maryland Trust Co. of Baltimore since 1930 and prior to that was vice-president of the Continental Trust Co. From 1926 to 1930 he was president of the Morris Plan Bank of Baltimore.

Mr. McHenry is also vice-president and director of the Maryland Color Printing Co.; president and director of Miller Trailers, Inc.; director of the Maryland Credit Finance Corp. and director of the Glyndon Bank of Glyndon, Md.

A veteran of both World Wars, Mr. McHenry entered the Marine Corps as First Lieutenant and saw service at Tarawa and Leyte.

Goldberg Opens

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—Edward Goldberg is engaging in a securities business from offices at 1652 Benedict Canyon Drive. Mr. Goldberg has been active as an investment counselor and in the past was with E. F. Hutton & Company.

Morgan Heads Comm. of Los Angeles Exch.

LOS ANGELES, CALIF.—Emerson B. Morgan, prominent Southland investment broker, was named this week to head the public information committee of the Los Angeles Stock Exchange.

Emerson B. Morgan

The new Chairman succeeds Carl M. Purcell, partner and general manager of Barbour, Smith & Co., under whose chairmanship the Exchange's long-range public relations program was inaugurated in 1949. Mr. Purcell will continue to take a leading role in the program.

On accepting the Chairmanship, Mr. Morgan revealed that the Exchange now has under way plans for the expansion of its program to interpret the securities industry to the general public.

He said projects planned for 1950 include a speakers bureau; tours of leading Southern California industries; an Exchange-sponsored investment forum for the general public, dealing with business and finance; an educational program designed to acquaint students with the problems and mechanics of finance; a program to intensify cooperation between the Exchange and Southland industry; and a program of special events keyed to stimulate interest in the Exchange among civic groups, industrial and trade associations, and business organizations.

David G. Skall to Be A. G. Becker Partner

CHICAGO, ILL. — David. G. Skall will be admitted to partnership in A. G. Becker & Co., 120 South La Salle Street, members of the New York and Midwest Stock Exchanges, on March 1st. Mr. Skall was formerly an officer of T. H. Jones & Co. of Cleveland and prior thereto was a partner in Skall, Joseph, Miller & Co.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Treasury financing of the March maturities with 16-month 1¼s and five-year 1½s was in line with expectations. On the other hand, the exchange offer of a 15-month 1¼% and the 1½% obligation for the April maturities was a mild surprise. The minor firming of interest rates which has been in evidence is continued with the present financing. By combining the March and April operations the monetary authorities are in a position to sit back until sometime in May, to see what will happen to economic conditions. If the forces of inflation should continue to be in the ascendancy by that time, a one-year 1¼% would seem to be in the cards. Conversely, should there be signs of deterioration in business by then, a return to easier credit would no doubt take place.

Prices of outstanding government obligations registered only minor changes with the announcement of the financing terms showing the market was well-prepared for what had been offered by the Treasury. A premium is indicated for the new securities. Considerable switching is being done from the intermediate maturities into the 1½% obligation.

BUYING FOR INVESTMENT

The sizable liquidation by Federal of long Treasuries, without any appreciable effect upon quotations, indicates the good quality of the buying. Government bonds are being taken out of the market by investors because they want them for income purposes. These purchases are still being made on a scale basis which means there is considerable buying power around, which will be available if prices should recede from prevailing levels. According to reports, the bank issues have been most in demand with the 1956/58s and the 1956/59s going into strong hands in volume. The restricted obligations have also been under accumulation, with pension funds somewhat more aggressive buyers than the savings institutions. However, between the two groups it is indicated the demand has been much more substantial for the eligibles than the ineligibles.

With the opinion gaining ground that debt cost or debt service charges have ceased to be the all-powerful and determining force which they were in the past in refundings and deficit financing, it is believed a new policy is about to be unfolded in the money markets. Business and economic conditions, it is felt, will assume greater importance in determining money rates in the future. Likewise a freer and more flexible market is being looked for in government securities, with fluctuations quite likely to be more pronounced all through the list. The elimination of the idea that debt cost must be kept down irrespective of the economic consequences, should make for a sounder debt management policy.

MORE INTERMEDIATES INDICATED

Based upon the belief that a new long-range pattern of debt management is evolving, some money market followers are looking for more issues of intermediate-term bonds, which would be eligible for all buyers, commercial banks as well as non-bank investors. The change will be gradual, it is believed, but a real start will be made during 1950, unless adverse business conditions develop which might temporarily hold up the anticipated new policy. Broadening of the supply of securities, other than shorts, which could be bought by commercial banks would no doubt have an influence upon the outstanding eligible obligations. Among the intermediate-term maturities which are being mentioned as likely to be used in future operations are seven- and nine-year obligations.

If the short-term market is to be the first to feel the effects of greater flexibility in monetary policy, which means it will be guided more by the ebb and flow of funds, it is believed the short rate will have less influence on the intermediate- and long-term rates. The latter rates and prices would be affected more by the amount of offerings of these securities by the monetary authorities rather than by the level of short-term rates. In other words, it is indicated there will be less certainty in government security prices in the future, than in the past. Also riding the yield curve will cease to be as profitable or as definite as it has been for some time.

A MOOT QUESTION

Because of the belief that important changes in monetary policy are in the making, which could have a marked influence upon outstanding securities, especially the bank issues, the question is being raised as to whether the buying which has been rather vigorous in the more distant maturities will continue unabated. Federal has been supplying the needed issues, which has tended to keep quotations from showing the effects of this buying. While there is no doubt bank funds available for investment will increase during 1950, will there be the same desire to acquire outstanding issues in volume, if new ones will be offered that could bring down quotations of those that are currently available in the market.

While the 2½s due 1956/58 and the 2¼s due 1956/59 have been bought in large amounts by the commercial banks, there has been more than a passing interest in the 2½s due 9/15/67-72. Most of the latter buying has come from out-of-town banks, with the earlier 2½% and the 2¼% being acquired by large money center institutions.

Pflueger & Baerwald Add

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—Carleton A. Curtis and Howard Whipple are with Pflueger & Baerwald, Mills Bldg., members of the San Francisco Stock Exchange.

J. Barth Co. Adds

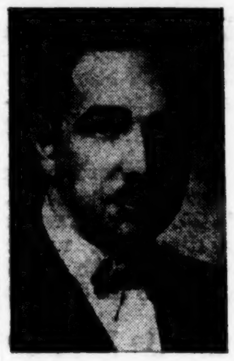
(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—Deming Hobart has been added to the staff of J. Barth & Co., 482 California Street, members of the New York and San Francisco Stock Exchanges.

New Wage Rise in Coal Industry Would Cause Further Loss of Markets, Backman Warns

Dr. Backman warns new round of wage increases would mean further loss of markets for coal industry. Maintains reported postwar profits were overstated, and they have declined sharply since 1948 even before working curtailment. States coal miners' wages are substantially higher than average received in all manufacturing industries.

"A new round of labor cost increases would mean a further loss of markets for the bituminous coal industry with a consequent reduction in the available volume of employment," Dr. Jules Backman, Associate Professor of Economics, New York University, stated in a 128-page report filed with the Presidential Coal Board. Dr. Backman prepared this statement, "Bituminous Coal Wages, Profits, and Productivity," on behalf of the Southern Coal Producers.



Jules Backman

"In terms of hourly and weekly earnings, coal miners rank third as compared with workers in 155 industries. They are close to the top of the hierarchy of American labor. Current hourly earnings of $1.95 for coal miners compare with 88.6 cents an hour in 1939, or a rise of 120%. During the same period, weekly earnings rose by about $50 from $23.88 to $72.98. Since consumers' prices rose substantially less than wages, real hourly earnings rose 29% and real weekly earnings by 80% during the war and postwar period." Professor Backman also showed that real earnings have risen since the end of the war and since the last increases were granted in 1948.

Declining Profits

Dr. Backman presented the results of a special study which showed that bituminous coal company profits had declined sharply from the 1948 level, even before the start of three-day and no-day weeks. "For the companies surveyed, profits after taxes in the first half of 1949 were 15% below the corresponding period of 1948, 45.9% below the level in the second half of 1948 and one-third below the average rate in 1948." The decline in profits reflected a number of factors including declining business activity, coal price declines, loss of markets to competing fuels, higher labor costs, reduction in exports, dieselization of the railroads, and related developments.

"Total profits in 1949 probably fell by more than 60% below 1948 as a result of these factors, combined with work stoppages."

The New York University Professor emphasized that reported postwar profits were overstated because inadequate sums were set aside for depreciation. "While precise estimates are not possible, if the cost of replacement is double the original cost, about $40 million of the $183 million of profits after taxes reported for 1948 must be set aside to cover the understatement of depreciation. Similarly, if the cost of replacement should be 50% above the original cost, the overstatement of profits would be about $20 million. Thus, if the replacement cost is 50% to 100% above the original cost level, the overstatement of 1948 reported profits would be about 11% to 22% of the total. If the replacement cost is higher, the overstatement of profits would be correspondingly greater. Because of the sharp decline in profits in 1949, the proportion of overstatement was substantially greater.

Relatively Higher Wages

"Coal miners' wages are substantially higher than the average received by workers in all manufacturing industries," according to Dr. Backman. The advantage is 57 cents an hour and $20 a week. This represents a marked change since 1939 when weekly earnings of coal miners were about the same and hourly earnings were 25 cents an hour higher. As compared with steel workers, the coal miners averaged 30 cents an hour and almost $10 a week more in 1949. In contrast, coal miners' weekly earnings were $6 lower in 1939, while at that time hourly earnings were about the same. These data indicate the marked improvement of coal wages as compared with those of other workers during the past decade.

"On the basis of annual full time equivalent earnings, coal miners have progressed from $166 below the average for all manufacturing industries in 1939, to $347 above the average in 1948, a relative improvement of more than $500."

Professor Backman also pointed out that coal miners receive larger non-wage benefits than other workers. "The value of coal miners' pension funds and vacation pay exceeded that in all manufacturing industries by more than 10 cents an hour prior to the granting of liberalized pensions in many industries in recent months. The spread is narrower now. In addition, underground coal miners receive pay for 1½ hours not worked, namely, one hour travel, time and one-half hour lunch time.

"Coal wage increases have far outstripped gains in productivity during the past decade. As compared with a rise of 120% in hourly wages, output per man-hour has risen only about 20%. As a result, unit labor costs have almost doubled with the consequent pressure for highher coal prices. Most of the reported rise in productivity was attributable to the increasing importance of surface mining where productivity is about three times as large as underground. The actual increase in output per man in underground mines appears to have been less than the overall average, while for surface mining little change has occurred. The available data make it clear that the reported rise in bituminous coal industry productivity was nothing more than a statistical mirage.

"The rising phase of the business cycle has been followed by a decline in business activity and the coal industry has been affected by this decline. The ability to raise prices and retain or expand demand is significantly different when the business cycle is in the ascendancy than when a decline is under way or has taken place.

"During the past year the coal industry has had first hand experience with what such an unfavorable change in environment means. When wages and welfare fund contributions were increased in July 1948, the industry raised its price. However, it was quickly compelled to reverse this rise by the pressure of market forces.

"Average realization began to decline in August 1948. By December, practically the entire in-

crease had been wiped out. By March, prices were significantly below the level prevailing a year earlier. Since April, the realization has averaged about $5.41 a ton or 41 cents a ton less than the level prevailing prior to the last rise in labor costs in July 1948.

Reduction in Demand

"In about one year, an increase of 45 cents a ton was converted into a reduction of 41 cents a ton. Why? The answer is found in the reduction of demand which fell about 10% in the first half of 1949, and the competitive scramble by the industry for the shrinking volume of business. This is certainly not indicative of any ability to pass still another round of cost increases on to the consumer in the form of higher prices without the danger of further losses to competitive fuels. The industry is fully aware of the unfavorable price position of coal as compared with competitive fuels. It has learned from experience that any increase in price is an invitation to its remaining customers to shift to competitive fuels. And such shifts mean still further declines in volume; fewer jobs for coal miners and in time a further rise in unit cost as overhead must spread over fewer units.

"The poor earnings record of the bituminous coal industry in the past has made investors reluctant to make available new equity capital in significant amounts. Modernization and expansion, therefore, must be financed primarily out of retained earnings and depletion and depreciation allowances.

"New investment is vital to increased mechanization and improved productivity. Improved productivity, which would contribute to hold down unit labor cost and prices, provides the main hope for maintaining or increasing the consumption of bituminous coal.

"Higher labor costs, by affecting earnings of the industry adversely, will hinder investment and mechanization because: (a) there will be little or no earnings to retain and invest, and (b) poor earnings will discourage equity capital or persons who might purchase bonds. Lack of investment funds will also prevent the bituminous coal industry from engaging in the extensive research which many persons feel is essential to the revitalization of the industry.

"The general nature of the impact of new labor cost increases on job opportunities seems clear for an industry which is experiencing a decline in its relative position. For such an industry, significant upward pressures upon its cost structure can only serve to speed up the declining tendencies. The net result must be a contraction of job opportunities at a faster rate than would prevail in the absence of such cost-raising developments."

Gilbert Pearsall, V.-P. of Putnam Fund

Putnam Fund Distributors, Inc., of Boston, the general distributors of The George Putnam Fund, has announced that Gilbert B. Pearsall has been elected a Vice-President and will be in charge of the firm's Pacific Coast activities.

Mr. Pearsall has just completed a tour of duty with the U. S. Air Force at the Command and Staff School of the Air University. Prior thereto he had been a partner and syndicate manager of Van Alystyne, Noel & Co. of New York City, members of the New York Stock Exchange. During the war he was with the Army Air Corps.

Mr. Pearsall will make his headquarters at 639 South Spring Street, Los Angeles.

Public Utility Securities

By OWEN ELY

Columbia Gas System

Columbia Gas in the calendar year 1949 reported earnings of 87 cents compared with $1.12 in 1948. The decline seems due to the increased number of shares, the decline in the prices of oil and natural gasoline, and warm winter weather which reduced the demand for house-heating.

The annual report, just released, reveals that while sales of natural gas increased 5.2% to over $114 million and miscellaneous sales (chiefly gas appliances) increased 11.5% to nearly $3 million, sales of gasoline and oil dropped 26.3% to $6.3 million. Cost of purchased gas gained nearly 13%, payrolls were up 5%, and interest and income deductions increased nearly 20%; on the other hand miscellaneous expenses were reduced 16% and taxes were 3% lower. Overall figures showed a gain of 3% in revenues and an increase of 5.4% in costs and dividend payments, so that surplus earnings retained in the business were less than half those of the previous year. The dividend rate of 75 cents a share was maintained but due to the increased number of shares total dividend payments were 9% larger than in 1948.

The system has had "growing pains" since the prewar period. We quote President Crocker as follows:

"The demand for gas has grown steadily and enormously since the war's end far beyond reasonable expectations based on past experience. We can now meet it. Sales of gas in 1949 reached an all-time high. Twelve times so far during the current winter the system exceeded the highest daily sendout previously experienced in our history. We now have the ability to deliver more than two billion cubic feet of gas in a single day. The maximum we have delivered so far this winter has been only 1,633,000,000 cubic feet on Dec. 15, 1949.

"This new ability to serve more people with more gas was not, of course, the result of one year's effort. Rather, in 1949 we reached the primary objectives of a development program that began more than four years ago. After the war, the price of oil and coal rose. The price of natural gas has remained at about the same level. This reversal of the price pattern brought a heavy increase in the demand for our commodity. . . .

"In January, 1946, when the expansion program was stepped up, the system was getting 146,000,000 cubic feet of gas a day from Southwest sources. On Jan. 1, 1950, under effective contracts with the pipeline companies, 593,100,000 cubic feet of Southwest gas a day flowed into the system's lines.

"Our contracts with the pipeline companies, which have been approved by regulatory commissions, call for firm delivery of 782,500,000 cubic feet of Southwest gas a day. We expect to get substantially all of this quantity from them by the end of 1950.

"In addition there are two further contracts with Tennessee Gas Transmission Co. awaiting Federal Power Commission authorization. The first calls for the delivery of 25,000,000 cubic feet per day. The second is the 'seller's option' contract. It calls for a guaranteed delivery of 20,000,000,000 cubic feet per year (equivalent to an average of 55,000,000 cubic feet per day) at times during the year when the demands on the Tennessee Gas Transmission Co. are less than its capacity to deliver. The fact that we have large underground gas storage facilities makes a contract of this type possible."

While the reserves in the Appalachian fields, from which the system formerly got its principal supply of gas, had declined to about 2.5 trillion cubic feet by 1946, the company has been doing some intensive drilling and brought in valuable new production including an important well in Maryland, well outside the known gas area. At the end of 1949 Appalachian reserves had risen slightly to 2.8 trillion which combined with reserves in the southwest brings the system total to 8.3 trillion, the highest in its history. To smooth peak delivery problems, the company has developed underground storage capacity which will accommodate 102 billion cubic feet of gas. Another safety factor is the construction of 12 liquefied petroleum gas plants or "tank farms" intended for use in time of extreme demand. Thus the company in recent years has spent $168 million on construction, $80 million on the transmission system and $21 for better distribution facilities.

Columbia expects to serve important new markets in the near future. Service to Consolidated Gas of Baltimore is expected to start May 1, and service to Central Hudson Gas & Electric will also begin this year. An application to deliver gas to the subsidiaries of United Gas Improvement Co. has been approved by the FPC and is awaiting approval of the Pennsylvania Commission. A number of other cities in Virginia and elsewhere may eventually be served. Service to all of the 23 cities involved would increase customers served directly and indirectly by 32%.

To sustain this huge expansion program Columbia had to raise $43 million new money last year. This was done through sale of 33 million debentures 3s and 1,040,000 shares of common stock.

Columbia hopes to increase its earnings by a substantial increase in househeating sales. 115,000 new house-heating units were installed in 1949 after restrictions were lifted, but used gas for only a small portion of the heating season. Rate increases totaling $1.4 million annually were in force only a small part of the year. Also, the system was not yet serving the big new wholesale markets mentioned above. 1949 earnings, therefore, would not appear to represent the system's real earnings capacity under normal future conditions.

Neuberger & Berman to Admit Donald Dryfoos

Donald Dryfoos, member of the New York Stock Exchange, on March 1st will become a partner in the Exchange firm of Neuberger & Berman, 160 Broadway, New York City. Mr. Dryfoos retiring from partnership in Jacques Coe & Co.

Sutro & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CAL.—Eleanor Gatti has been added to the staff of Sutro & Co., 407 Montgomery Street, members of the New York and San Francisco Stock Exchanges. Miss Gatti was formerly with Barbour, Smith & Co.

Securities Salesman's Corner

By JOHN DUTTON

The other day I was talking with a very successful salesman of intangibles. He started selling books when he was in college. That is a hard school—selling books. He told me that is where he found out **What Not to Do.** Today he is top salesman for one of the nation's largest organizations (still selling intangibles). He has been a sales manager at a salary way up in the big figures, but he quit the hard job at the top several years ago and is back selling in the ranks again—by choice—because he likes it.

He told me a few things about knowing **What Not to Do.** For instance, he said, "You want to save yourself time and energy in this business, but most men don't do it." In almost every other field of work, in the sciences, in offices, in management they study their work. They find out the shortest most direct path to results, and when they find it they do it that way; unless a better way can be found. But what do most salesmen do? They flounder around. They call here and there. They try one way and then the next. They do it over and over again **The Hard Way.** Well, I found out right at the beginning when I was selling books, that there was a way to get in the door. If I used it I would get in more doors. But I also found out that I couldn't get in all the doors, and after I got there I could also waste a lot of time on dead-heads. So I soon learned how to say the right thing to get in, and when I did get in, I soon learned **What Not to Do** when it came to wasting time on the wrong people.

He related how he also learned **What Not to Say** when he read some of his company's sales material. They had sales talks—he tried them—they didn't work. He said they didn't fit his personality. One instance was a pre-approach telephone canvass for appointments. He said he tried it for about three days, then he chucked the whole thing and began talking the way he thought it should go and he clicked. After that he soon learned to try ideas from others and sift the wheat from the chaff. He learned again **What Not to Do.**

One day he took a new salesman out with him on a call. It was a call-back he was making for the other man. When he sat down with his prospect in his home, he said he could see that he was up against a fellow who was going to put him right in his place if he let him. The prospect started out by looking for an argument. He proudly showed him 10 errors in the set of books that he was offering (which he had looked up the week before while he was investigating the proposition). He said to him, "So that's the way your great company does it—here are 10 errors in these books—10 places they are wrong, what do you say to that"? In this instance he saw that the other man wanted to show off his knowledge and his self importance, so instead of arguing and knowing **What Not to Do,** he simply said, "Well, I don't know Mr. Prospect, you see I am only the salesman, all I know is how to sell them. Maybe what you say is true; after all, as you know, this set of books was written by some of the greatest professors and research men in the country, but I suppose even they can make some mistakes." And from there on all the fight went right out of his prospect. He was the big man and he bought. When they came out of the interview his salesman said to him, "Gee, that was a push-over, wasn't it"? He replied, "All my sales are pushovers. If they are not, I don't make them."

Knowing what **not** to do comes with knoweldge that is based upon recorded experience. When selling becomes an art with you all sales will be push-overs.

Continued from page 4

Evils of Our Irredeemable Currency System

rency, and such a currency, regardless of the variety of forms it may take, is a debauched currency. It is a dishonest currency and, of necessity, rests upon a standard of dishonesty in our behavior. It was introduced in this country by government repudiation of its contract to bondholders, by administrative violation of pre-election commitments, and by misstatement of fact as to the ability of our nation's gold stock to support a redeemable currency. Where dishonesty enters, evil begins.

Both our understanding and our honesty come into question in any worthwhile examination of our system of irredeemable currency and of the forces that are operating along with, or in consequence of, the introduction of such a currency into the economy and lives of the people of the United States. All careful observers can readily perceive the striking parallels between current events and tendencies in this country and those described by Keynes as characteristic of Europe and England thirty years ago.

Perhaps the most arresting characteristics of our general behavior in respect to our use of an irredeemable currency are: (1) the tendency of a multitude of people, many of them commonly called "leaders," much of "the press," and, apparently, a majority of the United States Congress, to support and to advocate an irredeemable currency which, to use Keynes' words, "engages all the hidden forces of economic law on the side of destruction, and does it in a manner which not one man in a million is able to diagnose"; and (2) the reluctance of leading defenders of our irredeemable currency to examine carefully and to state accurately the pertinent facts and principles involved, and to apply the standard of honesty to this currency and in their allegations regarding it.

Monetary Reform Comes From Leading Citizens and Statesmen, Not From Popular Demand

Popular understanding of principles and pertinent facts regarding a nation's monetary system is not to be expected. The field of money calls for long and intensive study if correct answers are to be obtained. Those who have spent most of their adult lives—say, twenty to forty years—as scientific students of the history and principles of money, recognize the intricacies of the subject, how much there is to learn, and the need for modesty and great care in offering generalizations that are believed to be accurate.

Monetary reforms, of necessity, must come from national leaders who are wise enough to be guided by the most reliable specialists in the field. Furthermore, these leaders must be honest, rather than merely politic. If a nation lacks such leaders, it is in a dangerous position.

The contention, sometimes advanced, that government officials —ours or those of other nations—will proceed properly if they respond to popular demand and that the first task is to educate the general public as to the essentials in monetary facts and principles, is without any supporting evidence. Popular education—even education of the majority of college students—in the field of money has never been realized and, apparently, cannot be realized. The public, in general, are inclined to advocate, in the field of money, the very devices that tend to injure them. The general public's ideas on money apparently reach little beyond the desire for more and more of it. As an irredeemable currency depreciates, their common demand is for more, not less, of it. Suggestions of redeemability either bring no sympathetic response or outright opposition, possibly because they fear they may get less money when they are conscious of a need for more buying power. It seems highly probable that William Jennings Bryan's famous speech, "Crucified on the Cross of Gold," has become deeply imbedded in the mores of our people—the feeling or belief being that gold is the rich man's money whereas silver and paper money, especially irredeemable paper money, are the poor man's money. It is for reasons such as these that government officials who adopt the policy of responding to popular inclinations cannot provide reliable or good leadership in the field of money.

Responsible government leadership requires, first, an understanding of the pertinent facts and principles regarding monetary systems, or at least sufficient understanding of the intricacies involved to cause officials to seek the guidance of the most competent specialists in the field. It requires, second, a determination to provide the best system known—that is, it requires unqualified honesty in ascertaining facts and principles and in acting upon them.

Our Brand of Irredeemable Currency Has Unique Features

The frequent or common tendency to discuss our system of irredeemable currency as though it were like all other systems of irredeemable currencies, or as though there is only one type of irredeemable currency, confuses the issues appropriate for debate. Irredeemable currency systems have assumed a variety of forms. Among leading nations of the world our system is apparently unique. Its virtues and faults cannot be understood correctly unless we describe its characteristics accurately.

We have, in high degree, one type of system applicable to our international relations and another type applicable domestically. Described in over-simplified terms, we have an irredeemable currency system domestically and a restricted gold bullion standard in our international relations. This common, simplified definition has great limitations in usefulness. Apparently there is no way in which our hybrid domestic-international systems can be fitted accurately into a brief definition. It seems necessary to describe separately our domestic and international monetary arrangements. Under such analysis it will be revealed, for example, that domestically some of our currency is redeemable (silver certificates into silver) and that, in our international relations, there is in element of irrdeemability since redeemability is confined to central banks and governments.

(A) The Domestic Characteristics of Our Currency System

(1) *The Government Gives Our People Irredeemable Currency for Gold*—All our currency—money and deposits—is irredeemable domestically in so far as gold for domestic monetary use is concerned. The Government, in 1933, required that all holders of monetary gold turn it in to the Government and receive in return irredeemable promises to pay in the form of non-gold money and deposits.

(2) *Redeemability and Convertibility*[1] *Into Silver*—Silver certificates are redeemable in silver for monetary purposes; but the silver money is not directly redeemable in, or convertible into, gold. Since all our domestic money and deposits are freely convertible into one another, they constitute a potential demand for our nation's stock of monetary silver which, on October 31, 1949, equalled only 9 per cent of our Treasury's gold stock and only 1.2 per cent of our non-silver money and bank deposits.

(3) *Indirect Convertibility*—Our domestic currency is tied to gold at the statutory rate of $35 per fine troy ounce through a process of indirect convertibility related chiefly to international payments and, secondarily, to the sale of domestically-mined gold to our United States Treasury and the sale of Treasury gold for industrial uses.

Our Treasury and Federal Reserve banks figuratively, stand at our international boundary line ready to make and to receive payments in gold to and from central banks and governments at our statutory rate of $35 per fine ounce (ignoring handling charges). Anyone in the United States, who needs to make foreign payments, thus has his domestic money and deposits converted into gold, indirectly through his bank and a Federal Reserve bank, at the statutory rate. Those receiving payments in gold from abroad obtain domestic money and deposits at the statutory rate of $35 per fine ounce. The central bank or government, shipping gold to us, receives dollars at the rate of $35 per fine ounce of gold. The domestic gold miner receives domestic money and deposits for his gold at the rate of $35 per fine ounce. The domestic user of gold in industry pays domestic money and deposits at the rate of $35 per fine ounce of gold.

Through these procedures all our domestic money and deposits are linked definitely, but indirectly, to gold at the statutory rate of $35 per fine ounce. In so far as these transactions have been involved, all our domestic money and deposits have been maintained on a parity with gold at this rate since our Government devalued our dollar on Jan. 31, 1934.

It is in this system of indirect convertibility that one finds a major difference between our brand of irredeemable currency and what is sometimes called a thorough-going system of irredeemability in which there is no fixed link between a nation's domestic currency and gold. If a free market for gold is permitted under a thorough-going system of irredeemable currency, such as we had from 1861 to 1878, gold is bought and sold in terms of the irredeemable currency at rates that commonly fluctuate widely. A thorough-going irredeemable currency system may also exist with trading in gold prohibited or with markets in gold conducted in defiance of law.

Such depreciation of our non-gold currency in terms of gold, as has been observed in recent years, has been found abroad when and where holders of dollars, other than central banks and governments, have exchanged their dollars at a discount in terms of gold. Domestically, our non-gold currency has been exchanged at varying rates of discount in what is called the "raw" gold market.

The depreciation of our currency in the sense of its declining purchasing power in respect to goods and services, domestic or foreign, and in terms of other nations' non-gold currencies, is not to be confused with any depreciation of our non-gold currency in terms of gold.

The defects of our irredeemable currency, domestically, are not to be found in any important depreciation or fluctuation in value of our currency in terms of gold. Our system of indirect conversion has thus far prevented such depreciation domestically, except in the case of the prices of raw gold. The defects lie in the loss by the people of their power to exercise control over the government's use of the public purse, in the consequences that flow from such loss, and in the crippling of private enterprise in foreign trade and exchange.

(4) *Loss of the Power of Our People to Control the Use of Their Public Purse*—When the Federal Government, in 1933, deprived the people of the United States of a redeemable currency it also deprived them of their power to exercise direct control over the Government's use of the people's public purse. When our people had a currency redeemable in gold, every individual had power, to the extent he possessed money and deposit currency, to register his disapproval of the policies and practices of the banks and Treasury by demanding redemption of their promises to pay. Each individual had the power to send his message of disapproval to the central signal system in the Treasury and Federal Reserve banks—to their gold reserves—over the golden wires, as it were, provided by a system of currency redeemable in, or convertible into, gold. When distrust of the value of the banks' and Treasury's promises spread, the number of warning signals increased. Every demand for redemption was recorded by a drawing down of the gold reserves of the Federal Reserve banks or Treasury. No individual needed to join with other individuals in some organization for the purpose of sending a plea to the Reserve banks or to the Treasury or to Congress in behalf of sounder monetary or fiscal procedures; each individual could act alone and could record his judgment directly.

With the institution of our system of irredeemable currency, all the golden wires, running from all our people to the central signal system, were cut. The power of the people to record, in an effective manner, their disapproval or distrust of bank, Treasury, and Government monetary and fiscal practices was destroyed. The signal lights went out both at the central signal board and for the people of the United States.

Since that time our people have only had the power to protest and to appeal through other devices—through organizations, appeals to Congressmen, letters to the press, and so on—all of which efforts have been ineffective because they can be, and have been, ignored.

When a government deprives a people of the power to exercise direct control over its use of their public purse, it frees itself from responsibility to them; it can and generally does ignore their protests; and it can, and often does, become their boss.

(a) *The Control of Our Government by Pressure Groups*—When a government frees itself of the possibilities of direct control by the people over its use of their purse, it cannot be held effectively to an accounting and, if so disposed, it can use the people's purse to buy the support necessary to keep itself in office. A basic policy then is to gain the support of large vote-delivering pressure groups. The people's money is distributed in a manner designed to insure the desired political support. Vote-delivering pressure groups soon perceive that monetary favors are to be obtained in exchange for political support and rush to Washington to make the best terms possible. One result is that the government becomes the prisoner of those whose support it can purchase, and the people's purse is passed by Congress to the control of the vote-delivering and favor-seeking pressure groups.

That is, in the main, the state of affairs that prevails in the United States today, the basic cause of which lies in the institution by the Federal Government in 1933 of our system of irredeemable currency.

(b) *The Open Gate to Socialism*—The purchase of the support of vote-delivering pressure groups places the government on the road to Socialism in high degree or in a thorough-going manner. Incomes of helpless groups must be funneled to the members of these pressure groups. Wealth must be taken from some and given to others as benefits. Projects pleasing to the pressure groups must be undertaken. Competitive markets must be hampered, circumvented, or destroyed in order to extend favors in the form of price controls, subsidies, rent controls, and so on to those whom the government endeavors to favor. The government enters into unfair competition with private enterprise by engaging in productive activity, free of tax and similar burdens borne by private enterprise; by lending the people's money at non-competitive rates; by extending other aids at prices below those of competitive markets.

This great variety of government undertakings, most or all of which constitute steps in the direction of socialization or paternalism or totalitarianism, is made easy and is invited by our system of irredeemable currency. The government is freed from accountability to the people; money is made easy for the government and its beneficiaries to get; the favors of pressure groups can be obtained without the central signal board flashing any lights of protest and warning.

A nation may go through a period of irredeemable currency without being led into Socialism. But this requires that the government understand the dangers inherent in an irredeemable currency, that it be determined to institute redeemability at the earliest opportunity, and that it be not disposed to purchase the support of pressure groups in order to maintain itself in power or to lead the people into Socialism or government dictatorship in some other form.

On the other hand, it seems reasonably clear that a government could not lead a people into Socialism while the people have the power over the public purse which a redeemable currency gives them. Socialism and a redeemable currency are, fundamentally, natural enemies. It is for this reason that the British Government could not provide the people of England with a redeemable currency if it is to foster and maintain Socialism.

An irredeemable currency not only provides a wide-open gate to Socialism but it invites it. Moreover, it is a necessary instrumentality in a governmentally-managed economy.

The government of the United States has this instrumentality at its disposal, and it has been employing it as a basic means of proceeding step by step on a course which points to a thorough-going governmentally - managed economy.

There is, apparently, no instrument as potent, or as fundamental, or as necessary, as an irredeemable currency if a government is disposed to lead a people into Socialism. Conversely, there is

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[1] **Silver certificates are redeemable in silver; they are convertible into any of our other domestically-used money or deposits. Redeemability is a matter of legal provision for redemption; conversion is a matter of practice in exchangeability of one currency for another. The word "currency" is used here to include money and bank deposits.**

probably no more effective device, than can be employed to arrest a march into Socialism, than to make the people's currency redeemable, thus restoring to them the power to exercise direct control over the government's use of their purse.

It should not be surprising, therefore, that apparently all who would socialize our economy and people are opposed to the restoration of a redeemable currency in the United States. Either because they understand the relationship between an irredeemable currency and the processes of socialization of the economy, or because they simply note that Socialist, Communist, and Fascist governments employ irredeemable currencies as a means of controlling and managing the people, advocates of government dictatorship seem invariably to defend irredeemable currencies with the utmost vigor. Those who, for a variety of reasons apparently satisfactory to themselves, defend an irredeemable currency, while at the same time professing to oppose the socialization of our economy, seem to have missed the relationship of an irredeemable currency to the processes of socialization and the significance of the fact that the advocates of government dictatorship are, apparently, invariably advocates, also, of such a currency. The evidence seems overwhelming that a defender of irredeemable currency is, wittingly or unwittingly, an advocate of Socialism or of government dictatorship in some form.

So long as a government has the power over a people, that is provided by an irredeemable currency, all efforts to stop a government disposed to lead a people into Socialism tend to, and probably will, prove futile. The people of the United States have observed all sorts of efforts, organized and individual, to bring pressure upon Congress to end its spending orgy and processes of socialization. It should be amply clear by this time that none of these efforts has succeeded. Moreover, there is no good reason for supposing that any of them, except the restoration of redeemability, can succeed in arresting our march into Socialism. A government possessing the powers given it by an irredeemable currency can ignore the pleas and protests of such groups and individuals. And, if it be disposed to lead a people into Socialism—which appears to be the policy or tendency of our Federal government — it does ignore such groups and individuals.

If, therefore, the majority of Congress would spare the people of the United States the suffering and disasters inherent in Socialism, that majority must face the fact that the first and necessary, and possibly the only, means of doing this lies in the restoration of redeemability in our currency.

(B) The International Characteristics of Our Currency System

(1) *Redeemability for Central Banks and Governments*—Central banks and governments may sell gold to the United States for dollars, or redeem their dollars in gold bullion, at the statutory rate of $35 per fine ounce of gold (ignoring handling charges), under conditions prescribed by the United States Treasury as authorized by the Gold Reserve Act of 1934. Other foreign holders of dollars do not in general have this privilege.

An important question that arises is why central banks and governments have the privilege of redeemability at the statutory rate of $35 per fine ounce while this right is denied other holders of dollars. The ruling principle is, of course, that only the rights and demands of governments and of central banks, the latter generally controlled by current governments, need be recognized. Governments, by the use of irredeemable currencies, can control their own people; but they cannot control other governments. The latter, consequently, must be paid in a money of universal acceptability; one government cannot force another to accept its irredeemable currency except at a discount, or at risk of discount, in terms of gold. The rights of people give way to privileges exercised by governments — privileges unaccompanied by recognition of corresponding responsibilties to the people in general.

(2) *Reserve Ratios and Usable Reserves* — Our Federal Reserve banks are required to maintain a reserve of not less than 25% in gold certificates against their Federal Reserve notes and deposits. But the only holders of notes and deposits who can draw down these reserves—more accurately, compel the Reserve banks to redeem their gold certificates in gold and to pay out gold—are central banks and governments. Although the reserves in gold certificates are ostensibly held against *all* Federal Reserve notes and deposits, all holders, other than central banks and governments, of claims against these reserves are denied the right to exercise them. The reserves are not usable domestically. They merely provide a basis for the calculation of the ratio of reserves to deposits and Federal Reserve notes, which ratio serves as an indicator of how far these liability items may be expanded. The domestic function of the reserve thus differs from its functions in respect to that portion of the Federal Reserve notes and deposits held by central banks and governments. The reserves in the Federal Reserve banks, and with minor exceptions in the United States Treasury, are therefore for the use of central banks and governments, but not for our domestic institutions and people. The latter must be statisfied with the irredeemable promises of the Federal Reserve banks and Treasury and with over-valued silver and minor coin.

(3) *Depreciation of the Dollar in Foreign Markets*—Since holders, other than central banks and governments, of dollars in foreign countries do not have the right of redemption at $35 per fine ounce, such holders possess an irredeemable currency. The tendency is for such a currency to exchange at various rates of discount in terms of gold where gold can be purchased, as, for instance, in black or other non-official markets. This situation means, of course, dual or multiple quotations for the dollar. And it is evidence, again, of the discrimination against the individual and in favor of central banks and governments. It is another instance of government management of the people with the disadvantages falling upon them.

(4) *Control of Foreign Exchanges by Central Banks and Governments*—Since gold imports and exports, legally made, are under the control of our Federal Reserve banks and Treasury, these and other government-owned or-dominated institutions automatically gain control of all legally-conducted transactions in foreign exchange. Such control reaches to exchanges of goods, to investments, and to travel, and subjects the ingenuity of private enterprise to the crippling impedimenta of government regulation. Moreover, such controls are reflected backward into the internal economy in a multitude of ways.

When the ingenuity of private enterprise is given opportunity to function, exchanges of goods and services, among people of various nations, become so complex in nature that the mind of man cannot follow the transactions. As a consequence, government control, such as that exercised as a part of our employment of a restricted international gold bullion standard, has the effect of crippling and distorting the exchanges that one might properly suppose would take place if individuals were free to pursue their desires and advantages in trade, travel, investment, and so on.

The nations of the world in general probably reached the greatest degree of freedom in their exchanges of goods and services and came closest to the concept of "one world" when the gold standard and redeemable currencies were most widely used and private ingenuity was relatively free to pursue an unhampered course. Irredeemable currencies impede the flow of currencies, goods, services, and persons across national boundaries and bring into being a great number of government restrictions and controls, all of which are impedimenta in international exchanges. A consequence of the almost universal use of irredeemable currencies today is a trend away from the "one world" idea at the very time that the latter is being advocated with vigor.

Although our restricted international gold bullion standard is much superior in various ways to the more thorough-going irredeemable currencies found in most other countries, it contains restrictions in respect to the export and import of gold and makes irredeemable the dollars held by all except central banks and governments. These restrictions have the effect of placing the management of our international exchange in the hands of our government and its institutions in the field of international finance. This is an important part of government management of a nation's people and economy. It is totalitarianism at the international boundary line; and, from that point of vantage, government control is reflected back into the internal economy of our country in many and often subtle and far-reaching ways.

The road to greater production, trade, and prosperity—national and international—is not to be found in irredeemable currencies and government interference with and management of international exchanges but in redeemable currencies and freedom of exchanges with governments confining themselves to regulations, distinct from management, designed to foster free and fair competition and to prevent fraud and national injury.

[*EDITOR'S NOTE: The above is the first of three installments in which we are presenting Dr. Spahr's paper. The next installment will appear in the "Chronicle" of Feb. 23.*]

F. I. du Pont to Absorb Bacon Co.

SAN FRANCISCO, CALIF.—Francis I. du Pont & Co., members of the New York Stock Exchange, will take over the business of Bacon & Co., 256 Montgomery Street, about March 1st. Mr. William R. Bacon, who holds membership on the Los Angeles and San Francisco Stock Exchanges, will become a partner in Francis I. du Pont & Co. with headquarters in the new San Francisco office. Robert M. Bacon, a partner in Bacon & Co., will be resident manager for Francis I. du Pont & Co.

Jacques Coe & Co. to Admit Weinburg as Partner

Jacques Coe & Co., 39 Broadway, New York City, members of the New York Stock Exchange, will admit Jerome S. Weinburg to partnership on March 1st.

Nation's Financial Analysts to Meet

National Federation of Financial Analysts Societies to convene in New York March 2. Stock market and individual industries to be discussed.

The third annual convention of The National Federation of Financial Analysts Societies will be held on Thursday, March 2, 1950, at the Statler (formerly Pennsylvania) Hotel in New York City. The all-day sessions will comprise morning meetings, a luncheon meeting, afternoon meetings and a dinner meeting.

The morning meetings will consist of three simultaneous forums relating to railroads, public utilities and the management of trust funds by banks. The luncheon forum will deal with the stock market. The first afternoon session will comprise three simultaneous forums relative to the outlook for banking, the automobile industry and the chemical industry. The second afternoon session will consist of three simultaneous forums treating of the outlook for farm buying power, for the building industry and for the petroleum industry. Prominent authorities in various fields will address the several forums and the dinner meeting.

Invitations to the annual convention are being sent to approximately 2,000 members of the Federation which comprises The New York Society of Security Analysts, Inc., Investment Analysts Club of Chicago, The Boston Security Analysts Society, Financial Analysts of Philadelphia, Analysts Club of Detroit, Investment Statisticians Association of Los Angeles and the Security Analysts of San Francisco. New officers of the Federation will be elected at the annual business meeting which will precede the luncheon forum.

Conrad, Bruce Adds Two

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—A. Q. Neil, Jr., and Wellington A. Wood are now with Conrad, Bruce & Co., Russ Building.

With Stewart, Scanlon

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CAL.—Guy E. White has become associated with Stewart, Scanlon & Co., 216 Montgomery Street, members of the San Francisco Stock Exchange.

Railroad Securities

Chicago & North Western

The incipient bull market in railroad stocks has petered out in the past few weeks, although there have been some isolated instances of individual strength. Probably the continued labor disturbances in the bituminous coal fields, and the cumulative adverse influence of dwindling coal supplies on the general economy, have been the major reasons for the lessening of speculative enthusiasm for this group. The cut in the Southern Railway dividend rate probably also had at least some influence on public psychology. Further hesitancy is being caused by uncertainty as to what action might be taken by directors of three of the coal roads (Chesapeake & Ohio, Delaware & Hudson and Virginian) at their February meetings.

The loss of coal tonnage has been a severe blow to many of the railroads. Curtailment of steel operations and closing of other plants because of fuel shortages has not been so important from a tonnage standpoint but the influence has been more widespread throughout the industry. Psychologically a more important market factor has presumably been the wide publicity given in the press to cuts in rail service ordered by the I.C.C. to conserve coal. Actually this is not nearly so serious a problem as would be indicated by the headlines. In many instances it will actually be a blessing in disguise.

In some cases, of course, railroad operations are not affected at all by the Commission's orders, thanks to the installation of large diesel fleets in recent years. The sharpest cutback in service has been in the passenger end and there only in the case of coal-fired steam engines. Even those railroads that have stuck the most persistently to coal locomotives have, for the most part, dieselized their through passenger business. Curtailment of service, then, largely applies to local and branch line business. This is where the big losses are normally sustained. Railroad management is only too happy for the chance to abandon at least part of the unprofitable business, even though the relief may prove only temporary.

Surprisingly, at least to most railroad analysts, one of the best acting of the speculative rails in recent desultory markets has been Chicago & North Western common, which has recovered to within a fraction of its former 1949-1950 high. A couple of months ago directors decided that results for 1949 did not warrant payment of a dividend on even the preferred stock. Still the junior equity has been acting marketwise better than many established dividend payers and materially better than Chicago, Milwaukee & St. Paul common where directors have at least declared a part of the prescribed preferred dividend.

Chicago & North Western has for a long period of years been one of the most expensive railroads in the country to operate. Last year it was additionally burdened by the heavy costs incident to unprecedentedly severe winter weather. The storms also had a serious influence on traffic during the early part of the year. As a result, the pre-tax margin of profit dipped to 1.2% in 1949 compared with 7.1% in the preceding year. The 1948 showing had itself been well below the industry average. The margin of profit is the percent of gross carried to net operating income before Federal income taxes.

For 1949 the company reported net income, before sinking funds, of $1,133,684. After sinking funds there was only a nominal balance of $7,380 of earnings available for the stocks. It is notable that even this nominal net income was made possible only through a Federal income tax credit of $713,000, all taken in December. Also, earnings were bolstered by an increase in nonoperating income of something more than half a million dollars, represented by a rise of roundly $1 million in dividend income and a decline of approximately $500,000 in interest received. This hardly appears as a valid background for the speculative enthusiasm that has developed toward the stock, except on the theory that things have been so bad they can hardly get worse.

Continued from first page

Where Are We Going Businesswise?

large segments of our economy quite unscathed. June and July, 1949, marked the bottom of the recession. By the end of August most of the statistical indicators of business activity had turned upward.

The recovery from the recession was halted to some degree by the steel strike of last Fall, and the disturbance in the coal industry, which has varied between a full strike and a "two-day-a-week" strike and now the threat of a full strike again. These strikes have distorted our picture of the economy. The steel strike was ended before a serious dislocation of industry could take place, but some of the effects of the strike are still being felt. Most of the economic indicators have resumed their rise from last Summer's lows, but at least a part of this rise is the result of industries making up for time lost during the strikes.

A look at some of the key segments of the economy will help give us a proper perspective of where we are now, and of where we are going.

Sales, Inventories and New Orders

During the last months of the postwar boom, inventories were accumulated by business more rapidly than the finished products could be sold. This called for a readjustment, and the change in inventories which resulted, was probably the most prominent feature of the recession. Inventories were steadily reduced during the Spring and Summer. During this time, business sales were maintained at an almost steady rate, and excess inventories were worked off. Then in late Summer, the continued high level of final demand brought about increased purchasing by business, and inventories have been rising to somewhat higher levels. Meanwhile, business sales have risen.

The statistics of manufacturers' new orders have frequently been a relatively reliable guide to future business activity. The Department of Commerce has recently developed a new series of statistics on new and unfilled orders, which should prove to be a very handy tool for business analysts. These new figures show that as far back as July, 1948, incoming orders of manufacturers began to drop, as inventories accumulated. The prediction implicit in this fact was confirmed by the topping-off of business in general which began the recession late in the year. In August and September, 1949, there was a surge of new orders. These orders were in large part responsible for the pick-up in business activity that ensued. These statistics will bear careful watching, although their power of foretelling the future should by no means be overestimated.

Personal Income

One of the strongest sustaining influences in the economy has been the stability of personal income. The high point of total personal income, seasonally adjusted at annual rates, was reached in December, 1948. That figure of $217 billion is only 3½% above the November, 1949, level of $209.7 billion. This is even more impressive when it is noted that total nonagricultural income in November, 1949, was at almost the same level as at the peak of December, 1948, and that in October, 1949, at the height of the steel and coal strikes, nonagricultural income had declined to a level only one-half of 1% below the peak levels. In other words, the decline in personal income is primarily the result of lower farm income.

Industrial Production

Total industrial production reached a postwar peak of 195% of the 1935-39 average in October and November, 1948. Then came the recession slide down to a bottom of 161 in July, 1949. After this decline of 17%, recovery began, and by September overall production had risen to 174. Recovery was interrupted by the steel and coal strikes, and in October the production index stood at 166. The mildness of this decline was attributed to the continued rise from recession levels of other components of the index than coal and steel production. The index began to climb as soon as the steel strike was settled, and a preliminary estimate places December output at 176. The uncertainties in the coal industry make predictions impossible at this point.

Employment

In the average month of 1949, the civilian labor force included about 663,000 more persons than in the average month of 1948. As production was curtailed during the recession, unemployment rose, reaching a peak of 4.1 million persons, or 6½% of the civilian labor force, in July. In August the rising trend of unemployment was reversed. This was partly a result of normal seasonal influences, but in October unemployment had been cut to 3½ million, somewhat under 6% of the labor force. In October, 1948, near the peak of the postwar boom, unemployment stood at only 2½% of the civilian labor force, an abnormally low proportion. At the end of 1949, unemployment was equal to 3½ million persons, or 5½% of the labor force, as compared with 3% in December, 1948. This is below the commonly accepted "high employment" figure of 2½ million unemployed (4% of the labor force). The ability of the economy to absorb the rising labor force is one of the big question marks for 1950.

Prices

From the peak of 1948 to the present, wholesale prices of all commodities together have declined about 11%. These prices, in the aggregate, have been practically stable since last August. Food prices at wholesale have dropped gradually since last summer; farm prices have dropped considerably since last fall; and all other commodity prices have been stable, in the aggregate. But there have been recent increases in the wholesale prices of a number of industrial commodities, concurrent with the recovery movement. These increases, in such products as steel, lumber, rayon, raw wool, tires and nonferrous metals, may well bring about an increase in the aggregate price level on non-agricultural commodities at wholesale.

Retail prices are generally one of the most stable components of the economy. The consumers' price index (cost of living) reached its postwar peak in August and September, 1948, of 174.5% of the 1935-39 average. It then began to decline slowly, and in December, 1949, stood at 168.6, only 3% lower. No definite trend can be discovered at present.

Steel Industry

The recession came late for the steel industry, which operated at rates above theoretical capacity throughout February and March, 1949. In April a decline began, and the bottom was touched in the second week in July, when operations were scheduled at 61.2% of capacity. (This was a holiday week, so the figure is exaggeratedly low.) Then a recovery began. How much of this recovery was caused by the anticipation of strikes it is impossible to say, but in the weeks immediately preceeding the strike ingots were produced at levels near 86% of capacity. During the strike only a few scattered mills remained open, and operations declined to a figure of 8.2% for the week ending October 8. The Bethlehem Steel Company reached a settlement with the union in the first week in November, and production rose gradually as other companies came to terms with the unions. After the settlement of the strike, the steel companies had a large amount of work to make up, and by the second week in January, 1950, production had been scheduled at 97.2% of capacity. Obviously, this is an artificially high rate of output, attributable quite substantially to the shutdown.

The effects of the steel strike will be felt for some time. While production of steel ingots came almost to a stop in October, steel fabricators and other users of steel generally had ample stocks of steel on hand, and their production was not seriously affected. But the long shutdown naturally created a shortage of steel. During the strike steel users were unable to replenish their stocks. Several automobile companies, for example, were forced to shut down for several weeks until they could accumulate enough steel to keep their production lines going. Not until the second week of January were all automobile companies again operating simultaneously.

What this means, of course, is that production of some durable goods will be restricted for several months, and this will be reflected in the statistics of industrial production and employment. The distortion caused by the steel strike will be a confusing factor for those trying to see into the future, for the strike will have a cumulative effect Reduced output for steel-using industries will in turn cause shortages of some of the goods they manufacture.

Automobiles

Now we take a look at the industry which directly affects each of you who are gathered here at this Convention.

The automobile industry broke one production record after another througout 1949. In spite of the steel strike and model changeovers for some manufacturers, 1949 production of cars and trucks was 16% higher than the previous record set in 1929. About 6,249,000 cars and trucks were manufactured in 1949, against 5,282,000 in 1948, and 5,358,000 in 1929. 5,119,000, or 82%, of the 1949 output consisted of passenger automobiles. The automobile industry is the biggest customer of the steel industry. The breakneck pace of the automobile makers in 1949 was one of the strongest supports to the economy, and future developments will bear careful watching.

Construction

The basic construction industry has been surprising the experts all through 1949. Most of this industry never went through a recession in 1949. In almost every month in 1949 the value of new construction put in place was higher than in the corresponding month of 1948. A large portion of this new construction consisted of public (government) activity. For example, in September, 1948, 25% of total new construction (by value) was government work, while in September 1949 (the peak month) the federal, state and local governments accounted for 30%. After a mild slump in the early part of 1949, home building staged a sharp recovery. New nonfarm dwelling units started in the latter part of 1949 were far in excess of 1948. While more homes were being built, they were generally of smaller size, and the market for the more expensive homes was depressed considerably in most areas. Contract awards, which are a good indicator of future activity, have been running above 1948 levels in recent months, in terms of total value.

Consumers' Durable Goods

The continued high level of personal income payments and the great number of new homes have accounted for a marked revival of the home appliance and home furnishing trades. These industries were early victims of the recession, but their recovery was sharp. Electrical appliances, which seemed early in 1949 to be over-abundant, are in some cases in short supply at present, as manufacturers find themselves unable to keep up with demand. Rugs, furniture and other household equipment are also in great demand.

We have given ourselves this review of recent events bearing on the question of where we are businesswise today.

Now where are we going? Let us attempt to answer that question first by taking a quick look at certain specific facts and, second, by considering some very much broader influences bearing on our national life.

Where Are We Going?

At present, the economy seems to be in a strong position. The recession which marked the end of the postwar re-stocking boom was milder than had been expected, and of shorter duration. The steel strike, and the continuing crisis in the coal industry, delayed the recovery from the recession. But at the same time, they caused the development of new backlogs of unfilled orders. These orders will be a business stimulant for several months.

1950 was greeted with almost universal optimism in the usual rash of first-of-the-year predictions. True, this optimism was of the cautious sort now in fashion with businessmen. This optimism, and the attendant caution, are in themselves favorable business factors. Optimism, as long as it is tempered by prudent action, breeds a healthy economic environment, and the economy benefits. But even in the predictions, there was a definite sign of worry: the predictions almost all ended abruptly with June 30, 1950. It may be that this hesitancy of economic analysts to go out on a long limb is merely a sign that the analysts are at last aware of the unhappy record of forecasting. On the other hand, there are a number of somber possibilities in the not-too-distant future, and there may have been a general reluctance to tinge the good news of the first half of the year with the pessimism that always surrounds the unknown in a time of change.

The plain fact is that it is easy to predict good business for the first six months of this year. One effect of the steel strike was to start 1950 off with a backlog of orders for durable goods that could not be produced earlier because of the strike. And the continuing high level of demand for steel itself was greatly swelled. The Federal government is operating at a deficit and government expenditures have not yet been cut. The financial condition of the public is very strong, and consumer demand is at a very high level The stock market, which has never been reliable as an indicator of future economic conditions, but which has always been considered, and wrongly, as such, is striding forward in an effort to make up for its false steps of the past three years. Some of the optimism centering on the stock market may well spill over to other parts of the economy; this indirect effect, however, is the only real effect the stock market rise is likely to have on the economy.

The Federal government which now has a tremendous influence on the economy, owing to the great size of its operations, absorbed a large share of the decline in total income which was one result of the recession of 1949. The reason for this absorption of lost income was that tax revenues declined with corporate and farm incomes because tax rates were not changed. This stabilizing influence was one reason why overall consumption was able to remain at such high levels in spite of the recession. What the government does in the fiscal field is of great importance in present-day economic analysis, and this fact must be kept in mind when analyzing business prospects. With deficit financing seemingly in store for the nation for some time to come, it is undeniable that the government's influence will be either one of support or of inflationary tendencies in the coming year, depending on one's viewpoint.

The veterans' life insurance refund of $2.8 billion will be paid out in 1950. This huge sum of money, put in the veterans' pockets will be a strong sustaining factor for consumer purchases. Most of this money will be distributed in the first half of the year. It will have a distinctly expansionary effect on the whole economy, as it will enlarge bank deposits, and consumption increases will be fostered even if a large share of the payments are put into savings. And much of the money will go into down payments

The **automobile industry**—your industry again—will probably not repeat its unprecedented record of 1949. But there are a number of interesting speculations to be made on this subject. Although automobile prices are at very high levels, these prices, at least for the three leading low-priced cars, are lower in relation to average weekly earnings than they were before the war. The large proportion of old cars is also a favorable factor, if we are to return to anything like prewar ratios. Automobile makers have scheduled a higher output in the early months of this year than in 1949, but it should be noted that early 1949 production was lower than production in the second half of the year. The manufacturers are also shifting some of their emphasis to the lower priced lines in an effort to maintain or better their positions in what has again become a highly competitive business. Some price reductions have been posted, but many of these cuts reflect primarily the absence of special accessories formerly included in dealer-delivered prices. All in all, 1950 should be a very good year for the automobile industry, if not quite as good as 1949.

Farm income is a big question mark. The trend of most farm prices is downward, but these prices are cushioned by farm price supports. Nevertheless, the support prices do not make the public buy farm products, and surpluses are accumulating at a high rate. The government is now exercising acreage restrictions on wheat and cotton, and will also restrict corn production. In other commodities, where output is not controlled, support prices, under the new law, will be lower. Most agricultural experts foresee a drop of about 10% in cash farm income in 1950, from the level of last year.

The farmers are in a strong and relatively liquid financial position. But the fact remains that the farmer's buying power will continue to decline this year.

Corporate profits were at the highest level in history in 1948. The recession of 1949 saw profits reduced. But the recovery in the third quarter brought about an improvement. Third quarter, 1949, profits after taxes were estimated by the Securities and Exchange Commission as 14.8% higher than second quarter profits. But they were 20.3% lower than third quarter 1948 profits. In 1950 there can be little hope of corporate profits approaching the extraordinary results of 1948; inventory profits are largely a thing of the past and the rate of industrial production is lower. Wage costs have risen and other costs have not fallen substantially. Nevertheless, an ample rate of profit to be applied to dividends and corporate reinvestments is likely if 1950 does not see a resumption of a sharp downward trend in the economy. Dividends have been higher in the past year than in 1948; as corporations have had less need for retaining profits to finance postwar expansion programs. The investor has gotten a bigger piece of a smaller pie.

Expenditures for new plant and equipment by corporations began running below the figures for the corresponding 1948 quarters in the second quarter of 1949. In the final quarter, the estimate was 22% lower than the actual results of 1948's last quarter. Most corporations have largely completed their postwar expansion plans (a notable exception is the public utilities), and there is no reason to expect a new wave of expansion. This is borne out by the estimate of new plant and equipment expenditures in the first quarter of 1950, which is 15% lower than last year's first quarter. On the other hand, government construction of buildings, highways, etc., is on the rise, and home building may well continue at a very high rate. It is not possible at present to say whether those fields of activity will expand sufficiently to make up for the decline in industrial construction.

Prospects for the **steel industry** can be gauged in considering the outlook for the industries that consume steel. Since it is probable that automobile output, industrial construction, the manufacture of farm equipment, and several other basic industries will be lower next year, it is likely that steel production in 1950 will be lower than it was during most of 1949. Thus, although the rate of steel output may be well-sustained for at least the first part of 1950, as a result of the strike, the results for the whole year may be considerably lower.

The statistics of **employment** will bear careful watching this year. Our population is rising, and if industry does not expand sufficiently to absorb the new entrants into the labor force, we will develop an unemployment problem of considerable magnitude. We are not now producing at rates high enough to sustain what is commonly considered to be high employment. The winter months are seasonally low as far as employment is concerned, but employment will have to rise during the year if we are to have a healthy and prosperous economy.

All in all, an analysis of these various factors would not seem to present reasons for too serious concern as far as the fairly immediate business outlook is concerned. In fact, we emerged from the recession with few scars.

Let us look next at some very much broader influences bearing on our future.

The month of June, 1947 may well go down in history as one of the blackest of the century. Why? Certainly not because of the brief address by the Secretary of State, George Marshall, on June 5 of that year. Actually the enunciation of the so-called Marshall Plan at that date gave a degree of hope to despairing millions in Europe impossible to measure. But then a week after that epochal statement one of the great tragedies of all time occurred. Representatives of European nations met in Paris to see how to take hold of and make use of this new thing of promise and hope, the Marshall Plan. Enthusiasm and high hope prevailed. Molotov and other Russians were there. For three days Molotov attended the sessions. Then abruptly he and his colleagues walked out. But this was not just another Russian walkout. It was, as Walter Lippmann has called it, "Russia's declaration of cold war." Russia has much to answer before the bar of humanity, decency and enlightened public opinion for what she did to the hope, peace and health of the world by that fateful walkout.

Tragic as that course of action was; tragic as Russia's actions have been to the cause of peace; tragic as her policies have been in their adverse effect upon the efforts to get the world economically, socially and politically back on its feet again, nevertheless we have these unpleasant facts of life before us and must deal with them as facts, must deal with conditions as they are not as we might wish them to be.

The Committee for Economic Development (CED) recently issued a policy statement entitled: National Security and Our Individual Freedom. On the first page are these words: "We live in a world of insecurity, in a critical period which may last a generation. A disturbing sense of insecurity is everywhere. This is 'cold war.' The fear of war may dominate our lives for a generation. The imminent threat of war will rise and fall; we may face alternating periods of optimism and pessimism but the threat may last for decades. We must assume that war is not inevitable but we must also assume that there that there is little prospect of genuine peace in the near future. Large scale measures for national security seem necessary for years to come."

These are not the carelessly chosen words of a sobsister commentator. They are the sober words, after seventeen months of study, of leading economists and business executives of America.

We Americans find ourselves posed with the very difficult problem, how do we provide adequate security for ourselves and at the same time insure our freedom. No glib answer is to be had. This CED policy statement with all its careful thought does little more than to suggest avenues of thought and action down which we may find some answers.

So as we stand at this mid-century point, trying to evaluate our present position and to glimpse what the future may hold for us, businesswise and otherwise, we have this one great overshadowing fact of cold war with Russia tending to distort any reasonably normal picture we might try to paint.

We would be considerably less than American if we did not face up to the future realistically. A Pollyanish outlook or wishful thinking will not solve our problems.

A few weeks ago the New York "Times" ran a thought provoking editorial entitled, "Who's Winning?" It was an objective attempt to analyze our victories and our defeats in the cold war. While it is true we have won some brilliant victories, notably in Europe, it is equally true we have suffered some sickening defeats, notably in Asia. The "Times" editorial quite properly reminds us that the issue is not settled and that a long struggle lies before us before it is.

With all the heavy burden of our military outlays and our appropriation to wage the cold war, our expenditures both for direct defense and for foreign aid only total about 9% of our national income. Some estimates place Russia's expenditures for defense up to as high as 50% of her national income.

The morale of the Russian Soviet has been given some good boosts, too, in recent months. Apparently America is no longer the exclusive owner of the A-Bomb. A sympathetic partner in the new China breaks Russia's "containment and encirclement by the hateful capitalistic countries." Russia counts on our financial collapse and doubtless derived pleasure and a heightening of her own morale when recession struck us in late 1948. Doubtless, too, she derives a great deal of practical satisfaction in observing our industrial troubles, notably the throttling effect of a paralyzing coal strike upon American industry.

We should be realistic, too, as we face the business picture squarely. Here are a few economic facts of life:

(1) War created shortages are largely filled up.

(2) The frenzied period of private plant and equipment expansion in the postwar period has pretty well run its course.

(3) Europe is back on its feet.

(4) Foreign competition is really just beginning.

(5) Devaluation is bound to put increased competitive pressure upon us.

Recently two British firms bidding for delivery of some heavy electrical equipment for the city of Seattle lost out but only for technical reasons. Their bids were substantially below the nearest American bid. The Waltham Watch Company has closed and you have noted the press comments of certain spokesmen to the effect that our government should have "protected us against foreign dumping of watches." Keen foreign competition is only just beginning to be felt.

While we are being realistic as we face up to some of the problems with which foreign competition confronts us we should also be realistic as we consider other facts and accomplishments growing out of our postwar international relationships. Let us not overlook the fact that the Marshall Plan and our other kinds of foreign aid have thwarted Communism in Europe. Had we not done what we did it is almost a dead certainty that Russia and Communism would be on the Atlantic today. Imagine, if you care to—I don't think I do—the whole continent of Europe in the same plight as little Czechoslovakia. So despite the past costs and the continuing costs we have helped preserve an atmosphere in Europe where free men and free institutions may live and grow. We have also made possible the preservation and development of a great area which from the economical standpoint will be an increasingly vital, important trade factor in our national economic life. So the dividends both politically and economically are already very high from our investment.

How are we going to solve all these problems that face us? How do we solve our economic problems? Above all, how do we meet the uncomfortable cold war issue with Russia?

There is no easy answer to such questions. Let me briefly suggest a six point program that may help to bring satisfactory answers:

(1) Adequate security against any potential aggressor must be had. This costs money. Every possible check both within the military itself and by civilians should be made to assure the greatest possible efficiency and economy.

(2) On the domestic front keen realization should be had by all segments of our society of the very great grave problems confronting us. We cannot choose whether we shall have either security or freedom. We must have both. To lose either is unthinkable but to have both means exercise of sober self-restraint. Various pressure groups must place the national welfare ahead of their respective ends. Postponement of some projects no matter how worthy or desirable must be made in the interest of the general good.

(3) The start of tax reform revision should be made. This is not to say great extensive revisions can be made at the moment. The financial and other exigencies of today won't permit. But it is to say that a start can, should and must be made to keep the dynamic spark on our economic system alive by providing incentives so important for healthy operation of our economy.

(4) Business executives can and should devote an increasingly large part of their time, thought, energy and earnings toward the promotion of business. Here is a startling sets of facts: in only one year from 1900 to 1930 was less than 3% of our national income spent on advertising. During the 1920's the figure at times reached almost 4%. Since 1930 not one single year has seen an expenditure as high as 3%. Actually this ratio dropped down to as low as 1.6%. The figure for 1948 was 2.2% and for 1949 is expected to be slightly above 2%.

Aggressive, well planned, well executed promotion programs will go far toward carrying American business steadily forward and will go far toward helping to keep the American economy strong.

(5) Every possible effort should be made by all segments of our American work force to increase productivity. This word "productivity" is an economist-coined word. It is a miracle word—or can be. Productivity is not production; it is production or output per man hour. There are various factors which can increase our productivity: greater technological knowledge; better technical skills; better health; better management; better planned sales and distribution programs; and better labor-management relations—to name a few. All of these are important but perhaps none is more so than the factor of better labor-management relations. The increase of output per capita will be startling if labor and management will agree and practice four basic principles:

(a) Belief by both management and labor in the superiority of our free enterprise system over any other.

(b) Belief by both in the importance of increased productivity. There is only one way to increase "take" for each of us. That is to increase the size of the whole pie to be divided among all of us. This result can come only by increased productivity, that is, greater output per man-machine-hour For the worker this means working better, not harder.

(c) Both labor and management should realize the ultimate value to all concerned by using economic facts, not economic power to win their arguments in sincere collective bargaining. The good will and support of public opinion are bound to go to that side which emphasizes the use of economic facts not economic power.

(d) Both labor and management should recognize that the interest of the public—the national welfare — deserves priority of consideration to that of either labor or management in any dispute.

By belief in the theory of these points and the execution of that belief in practice, great gains can be made in promoting the health of our national economy. Greater productivity will result, greater benefits to all will be had.

(6) As a sixth and final point in a program designed to figure in our problems of today may I remind you of the truly great power of the moral and spiritual values of life. Steady adherence to principles and practices in our relationships with the rest of the world designed to produce an increasingly high degree of mutual confidence, friendship and good will is bound in the long run to produce beneficial results. We may not see now in the confusion of events how we may evolve a satisfactory solution to the present impasse with what to say is a completely unreasonable and unreasoning position on the part of Russia. But the combination of time and spiritual and moral power is a tough one to whip. In the long run such a combination is bound to prevail.

Freedom without which we Americans would not care to live may be considered as a delicate flower in the garden of our national life. If neglected it will die. Unless nourished it will fade and wither. Unless cultivated it will be choked out by the weeds of various isms or the selfishness of pressure groups.

To change the figure, freedom is something that is never bought outright. It is purchased on the installment plan, generation by generation. We of the present generation must buy our installment.

We need ever to remind ourselves and especially in the light of present cold war circumstances that truly "eternal vigilence is the price of liberty."

Free enterprise at the half century mark has much to which it may point with pride as it looks backward over the first half of the century. As it looks forward the accomplishments of the past may well be dwarfed into relative insignificance measured both in terms of potential, tangible or intangible values if as a team of 150 million of dynamic Americans we move steadily forward pooling our talents for common purposes and motivated by common ideas.

With Jones, Cosgrove

(Special to THE FINANCIAL CHRONICLE)

PASADENA, CALIF.—Charles A. Kent is now with Jones, Cosgrove & Co., 234 East Colorado Street. He was formerly with Arnold, Cassidy & Co. and Pearson-Richards & Co.

Joins Redfield Staff

(Special to THE FINANCIAL CHRONICLE)

PASADENA, CALIF.—Richard W. Redfield, Jr., has joined the staff of Redfield & Co., 87 South Euclid Avenue.

With Wesley Hall Co.

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, CALIF.—Richard A. Maloney is now affiliated with Wesley Hall & Co., First National Building.

Joins A. G. Becker

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—Leonard J. Block has become associated with A. G. Becker & Co., 465 California Street. He was formerly with Stewart, Scanlon & Co. and First California Company.

King Merritt Co. Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—Gabor De Bessenyey is with King Merritt & Co., Inc., Russ Building.

Continued from first page

Trusts Continue Favoring Utilities In Final Quarter

which were in the open-end group where pressure of new cash received from the great boom in public participations in the mutual funds necessitated investment in equities to keep up income. However, about 20% of increased purchasing was represented by Adams and American International closed-end trusts which had disposed of their preferred stocks during the three months.

Actually there appears to have been an increasing cooling off in the bullish temperature during the latter half of the year, although this is only slightly discernible. One of the indications has been the decreasing percentage by which the margin of buying transactions has exceeded sales throughout this period. For the first quarter of the year, this figure amounted to 85%; during the June period it had decreased to 66%. In the last three months of the year, it had fallen to 54%. Still another insight into this waning enthusiasm for the purchase of equities is afforded by a comparison of the decrease in the total number of companies in which purchases exceeded sales during the last three-quarters of 1949. This is indicated in the following table:

Number of Funds in Which Purchases of Common Stock Exceeded Sales, Last 9 Months of 1949

Quarter	2nd	3rd	4th
Balanced Open	16	15	10
Stock Open	14	11	13
Closed-End	8	7	6
Total	38	33	29

Thus we see that from a total of 38 funds favoring the purchase of junior equities in the first quarter of the year 1949, we have a decrease to 29 in the December period now under review. In the open-end stock fund groups there was an increase of two companies favoring purchase of equities in the last quarter, but still less than half of the total number of funds covered in this survey in-

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Changes in Common Stock Holdings of 45 Investment Management Groups

(September 30-December 31, 1949)

Transactions in which buyers exceed sellers—or sellers exceed buyers—by two or more management groups. Issues more heavily sold are in italics. Numerals in parentheses indicate number of managements making entirely new purchases of an issue or completely eliminating the stock from their portfolios.

—Bought—			—Sold—	
No. of Trusts	No. of Shares		No. of Shares	No. of Trusts
		Agricultural Equipment:		
2	600	J. I. Case	None	None
1(1)	*1,000*	*Caterpillar Tractor*	*2,300*	*5(3)*
		Auto & Auto Parts		
8(2)	12,500	Chrysler	200	1
3(1)	10,300	Doehler-Jarvis Corp.	6,000	1
4(1)	19,400	Electric Auto-Lite	800	1(1)
7(2)	15,000	General Motors	7,900	5(1)
1	*100*	*Libbey-Owens-Ford Glass*	*4,400*	*4*
None	*None*	*Thompson Products*	*12,400*	*2(1)*
		Aviation:		
4(1)	11,800	Bendix Aviation	1,000	1(1)
4	13,900	Eastern Air Lines	500	1
2	5,300	Lockheed Aircraft	None	None
5	11,700	United Aircraft	3,000	3
None	*None*	*Grumman Aircraft Engineering*	*4,200*	*2*
		Beverages:		
4(2)	44,600	Distillers Corp.-Seagrams	14,000	1(1)
2(1)	5,100	Hiram Walker-Gooderham & Worts	None	None
3(1)	11,600	National Distillers Corp.	None	None
		Building Construction & Equipment:		
7	40,400	American Radiator	9,400	4(2)
3(1)	10,800	Certain-Teed Products	None	None
2(1)	2,000	Congoleum-Nairn	None	None
3(2)	14,500	Crane Co.	10,300	1(1)
5(3)	20,200	Flintkote	2,200	2(1)
2	5,370	Glidden Co.	None	None
2(2)	2,500	Holland Furnace	None	None
4(1)	11,200	Johns-Manville	1,000	1
4(3)	3,000	Lone Star Cement	6,100	2(1)
2	1,600	Mueller Brass	None	None
3	13,700	National Lead	None	None
2	2,000	Pennsylvania-Dixie Cement	None	None
3(1)	15,400	Pittsburgh Plate Glass	None	None
3	470	Ruberoid [1]	200	1
2	2,100	Scoville Manufacturing	None	None
2(1)	2,150	Trane Co.	None	None
4(2)	6,400	United States Gypsum	1,400	2(1)
4(3)	3,800	Yale & Towne Mfg.	None	None
		Chemicals:		
4	12,900	American Cyanamid	17,400	2(1)
9(1)	11,217½	Dow Chemical [2]	11,767	2(2)
13(2)	23,280	Eastman Kodak [3]	6,070	4
2	1,700	Koppers Co.	None	None
4(2)	11,800	Pfizer (Charles) Co.	3,000	2
3(2)	7,336	Rohm and Haas [4]	None	None
3(1)	4,000	Union Carbide and Carbon	200	1
3(3)	12,700	Victor Chemical Works	1,000	1
1(1)	*27,900*	*Commercial Solvents*	*39,400*	*4(2)*
2(1)	*1,300*	*DuPont*	*3,200*	*5*
1	*100*	*Monsanto Chemical*	*18,800*	*4(1)*
		Containers & Glass:		
3(1)	8,900	Anchor Hocking Glass	None	None
6(2)	26,425	Continental Can	8,500	2(1)
		Drug Products:		
3(1)	9,000	McKesson & Robbins	None	None
2(2)	5,500	Merck & Co.	None	None
2(1)	10,500	Parke Davis & Co.	None	None
2(1)	16,400	Procter & Gamble	None	None
None	*None*	*Sharp & Dohme*	*2,500*	*2(1)*
		Electrical Equipment:		
3	2,388½	Philco Corp.	None	None
3(1)	31,700	Radio Corp.	1,500	1
2(1)	4,000	Square "D" Co.	None	None
2	1,625	Sunbeam Corp.	None	None
9(2)	48,900	Westinghouse Electric	9,800	3(1)
5(1)	*12,600*	*General Electric*	*29,800*	*7(3)*
		Financial, Banking & Insurance:		
3(1)	6,900	Bankers Trust Co., N. Y.	None	None
3	1,337½	Boston Insurance Co. [5]	None	None
6(2)	11,060	C.I.T. Financial	2,600	2(1)
2	2,750	Great American Insurance Co. [6]	None	None
2	67½	Hartford Fire Insurance Co.	None	None
2	1,120	Household Finance [1]	None	None
None	*None*	*Fireman's Insur. Co. of Newark*	*12,000*	*2(2)*
		Food Products:		
2(1)	2,500	Borden Co.	None	None
2(2)	6,000	Continental Baking Co.	None	None
7(2)	13,800	National Dairy Products	1,000	1(1)
3	3,500	Standard Brands	300	1
3	6,400	Stokely-Van Camp	None	None
None	*None*	*American Chicle*	*3,500*	*2(2)*
		Machinery and Industrial Equipment:		
2	1,200	Briggs & Stratton	None	None
2(2)	14,100	Bucyrus-Erie	None	None
4(1)	20,800	Food Mach'y & Chemical Corp.	1,600	2(1)
2(1)	9,800	Haliburton Oil Well Cementing	None	None
2	2,300	National Acme Co.	None	None
None	*None*	*National Supply*	*4,000*	*2(1)*
		Metals and Mining:		
4	4,400	Aluminum Co. of America	None	None
3	3,400	American Metal Co., Ltd.	None	None
5(2)	5,150	American Smelting & Refining	13,300	3(2)
5(1)	13,500	International Nickel	12,700	2(2)
8(3)	28,700	Kennecott Copper	48,300	4(2)
		Metals and Mining—(Concluded)		
2(2)	7,000	New Jersey Zinc	None	None
5(2)	8,300	Phelps Dodge	47,600	3(2)
None	*None*	*U. S. Smelt., Refining & Mining*	*6,000*	*2(1)*
2(1)	*3,300*	*West Kentucky Coal [7]*	*42,850*	*10(10)*
		Natural Gas:		
3(1)	8,000	Consolidated Natural Gas	None	None
7(1)	74,900	Panhandle Eastern Pipe Line [8]	None	None
2(1)	1,100	Southern Natural Gas	None	None
2(1)	15,000	Texas Gas Transmission	None	None
2(1)	24,000	Western Natural Gas	None	None
1	*7,500*	*Mississippi River Fuel*	*28,500*	*3(2)*
		Office Equipment:		
1	*1,200*	*Addressograph-Multigraph*	*3,500*	*3(3)*
None	*None*	*Burroughs Adding Machine*	*11,000*	*2(1)*
None	*None*	*Remington Rand*	*30,000*	*3(2)*
		Paper and Printing:		
2(1)	10,500	Champion Paper & Fibre	None	None
2	4,200	Crown Zellerbach	None	None
2(1)	1,110	Cuneo Press	None	None
21(1)	305,300	International Paper [9]	1,600	2(1)
3(1)	2,300	Union Bag & Paper	400	1
		Petroleum:		
2(1)	3,000	American Republics Corp.	None	None
2	800	Atlantic Refining Co.	None	None
2(2)	3,500	Delhi Oil Corp.	None	None
5(1)	4,668	Louisiana Land & Exploration	26,000	2(1)
2	2,800	Richfield Oil	None	None
4	4,200	Seaboard Oil (Del.)	2,500	1
12	10,893	Standard Oil of California [10]	27,525	4(2)
6(1)	31,800	Standard Oil of Indiana	None	None
2(2)	6,000	Standard Oil of Ohio	None	None
4(1)	10,600	Texas Co.	13,000	2(1)
2(2)	3,500	Union Oil of California	None	None
None	*None*	*Anderson-Prichard Oil Corp.*	*5,100*	*2(1)*
3(1)	*18,600*	*Continental Oil*	*13,200*	*6(1)*
3	*2,900*	*Gulf Oil Corp.*	*26,300*	*8(2)*
None	*None*	*Mission Development Corp.*	*5,000*	*2(2)*
3	*6,800*	*Ohio Oil*	*17,900*	*6(3)*
6(1)	*11,300*	*Phillips Petroleum*	*18,400*	*9(2)*
1	*428*	*Skelly Oil*	*2,429.9*	*3*
		Public Utilities:		
11	28,800	American Gas & Electric [11]	8,100	2(1)
18	40,238	American Natural Gas [12]	4,040	2(1)
2	7,500	Brooklyn Union Gas	None	None
8(7)	11,590	Central Illinois Light Co. [13]	55	1(1)
12(1)	73,550	Central & Southwest Corp. [11]	3,000	2(2)
5(5)	22,000	Consolidated Edison of N. Y.	1,500	1(1)
14(3)	95,780	Consumers Power [13]	280	1(1)
2(2)	5,500	Florida Power	None	None
5(1)	22,100	General Public Utilities	56,800	3(2)
2(1)	14,300	General Telephone Corp.	None	None
12(1)	43,475	Illinois Power Co. [11]	5,000	1(1)
16(5)	129,886	Middle South Utilities [14]	13,000	1(1)
3(3)	43,249	Montana Power Co. w/d [15]	None	None
5(2)	38,850	New England Electric System [11]	None	None
2(1)	30,110	New England Gas Association [11]	None	None
6(2)	132,900	Northern States Pwr. (Minn.) [11]	27,667	2(1)
13(11)	145,600	Ohio Edison [16]	None	None
12(8)	22,200	Peoples Gas Light & Coke [17]	50	1
2	11,400	Public Service of Colorado	None	None
5(1)	15,100	Public Service Electric & Gas	9,100	3(1)
7(2)	29,245	Rochester Gas & Electric [11]	None	None
13(10)	486,430	Southern Co. [16]	None	None
5(5)	26,054	Texas Utilities w/d [15]	None	None
4(1)	20,163	Utah Power & Light [11]	None	None
4(2)	85,400	Virginia Electric & Power	10,000	1(1)
None	*None*	*Columbus & Southern Ohio El.*	*2,500*	*2(1)*
None	*None*	*Dayton Power & Light*	*11,100*	*3(1)*
2(1)	*2,000*	*Indianapolis Power & Light*	*3,770*	*4(3)*
1	*10,000*	*Kansas Power & Light*	*17,250*	*4(4)*
1(1)	*270*	*Niagara Hudson Power*	*172,500*	*5(3)*
None	*None*	*Potomac Electric Power*	*3,390*	*2(2)*
None	*None*	*United Light & Railways*	*77,000*	*7(4)*
		Radio and Amusement:		
6	53,400	Paramount Pictures [18]	5,000	1(1)
5	7,500	Twentieth Century-Fox Film	1,500	1(1)
		Railroads:		
4(1)	6,200	Atchison, Topeka & Santa Fe	100	1
3(1)	9,000	Chesapeake & Ohio	None	None
6(1)	38,700	Chicago, Rock Island & Pacific	500	1
5(1)	6,000	Great Northern Preferred	3,200	3(1)
None	*None*	*Delaware & Hudson*	*2,500*	*2*
None	*None*	*Gulf, Mobile & Ohio*	*11,100*	*2(1)*
None	*None*	*Northern Pacific*	*1,000*	*2(1)*
None	*None*	*Pennsylvania Railroad*	*21,000*	*2(2)*
None	*None*	*Southern Railway*	*17,800*	*3(2)*
		Railroad Equipment:		
3(1)	2,300	American Brake Shoe	None	None
None	*None*	*American Locomotive*	*25,600*	*3(1)*
None	*None*	*Pullman Co.*	*11,100*	*2(2)*
None	*None*	*Westinghouse Air Brake*	*11,100*	*4(3)*
		Retail Trade:		
4(2)	20,800	Allied Stores	5,000	2
2(1)	10,500	Edison Brothers Stores	None	None
5(3)	13,600	Federated Department Stores	1,000	1(1)
3(1)	3,700	Grant (W. T.)	None	None

FOOTNOTES TO ADJOINING TABLE

[1] Stock dividend of 10%.

[2] 3052½ shares received as 2½% stock dividend.

[3] 8386¼ shares received as 5% stock dividend.

[4] 336 shares received as 4% stock dividend.

[5] Greater percentage of additions received as 12½% stock dividend.

[6] Received as 25% stock dividend.

[7] Addition of 500 shares represents distribution from North American not credited in previous quarter.

[8] In large part additions result from 2 for 1 split-up.

[9] 289,800 shares distributed in 2 for 1 split-up.

[10] 7693 shares received as 5% stock dividend.

[11] Purchased in part through rights.

[12] 26,314 shares purchased through rights on basis of one share for each ten held.

[13] Exchanged for Commonwealth and Southern preferred.

[14] Distribution from Electric Bond and Share and purchase through rights issued by same company.

[15] Distribution from Electric Bond and Share.

[16] Major portion of additions received in exchange for Commonwealth and Southern common.

[17] Greater percentage received through conversion of 3% convertible bonds due in 1963.

[18] 5000 shares of old Paramount stock exchanged for 5000 shares of new Paramount Pictures and United Paramount Theatres (ctfs.) when issued.

NOTE—This survey covers 62 investment companies, but purchases or sales of trusts sponsored by one management group are treated as a unit. For example, the several trusts sponsored by J. & W. Seligman are considered as having the weight of one manager. Overseas Securities is included in addition to the companies listed in the companion table.

Changes in Common Stock Holdings of 45 Investment Management Groups (Continued)

—Bought— No. of Trusts	No. of Shares		—Sold— No. of Shares	No. of Trusts
		Retail Trade—(Concluded)		
3(3)	22,000	Kresge (S. S.)	None	None
2(1)	4,100	Kress (S. H.)	None	None
2	1,600	Macy (R. H.)	None	None
5(1)	24,500	Safeway Stores	200	1
None	*None*	*Hoving Corp.*	*13,000*	*2(1)*
None	*None*	*Jewel Tea Co.*	*2,800*	*2(1)*
		Rubber and Tires:		
5	12,000	Goodrich	1,400	1
4(1)	4,000	United States Rubber	4,900	1
		Steels:		
3(1)	1,200	United States Steel	15,000	1(1)
1	*3,000*	*National Steel*	*3,850*	*3(1)*
		Textiles:		
6(1)	10,100	American Viscose Corp.	2,500	1(1)
2	7,700	Colonial Mills	None	None
2(1)	1,085	Pacific Mills	None	None
2	11,500	United Merchants & Mfrs.	None	None
		Tobaccos:		
4(1)	10,700	Philip Morris	None	None
None	*None*	*American Tobacco*	*4,100*	*5(1)*
2(1)	*4,900*	*Liggett and Myers*	*14,675*	*8(6)*
		Miscellaneous:		
4(4)	10,800	Servel, Inc.	None	None
2(2)	6,000	Southeastern Greyhound	None	None
None	*None*	*Minnesota Mining & Mfg.*	*3,500*	*3(1)*

Balance Between Cash and Investments of 61 Investment Companies

End of Quarterly Periods September and December, 1949

	Net Cash & Gov'ts Thous. of Dollars —End of— Sept.	Dec.	Net Cash & Gov'ts Per Cent —End of— Sept.	Dec.	Invest. Bonds & Preferred Stocks Per Cent* —End of— Sept.	Dec.	Com. Stks. Plus Lower Grade Bonds & Pfds. Per Cent —End of— Sept.	Dec.
Open-End Balanced Funds:								
American Business Shares	3,262	6,720	9.7	19.1	17.2	14.9	73.1	66.0
Axe-Houghton Fund	523	476	6.2	4.9	6.8	6.1	87.0	89.0
Axe-Houghton "B"	789	839	17.0	11.6	14.1	13.4	68.9	75.0
Boston Fund	5,897	7,958	13.9	16.7	22.7	23.7	63.4	59.6
Commonwealth Investment	794	1,110	9.1	9.5	25.9	20.0	65.0	70.5
Eaton & Howard Balanced	3,863	3,382	8.4	6.7	26.5	27.8	65.1	65.5
Fully Administered Shares	969	1,138	23.5	23.5	16.9	13.4	59.6	63.1
General Investors Trust	298	198	15.8	10.5	5.0	5.1	79.2	84.4
Investors Mutual	15,205	21,279	9.7	12.1	27.5	24.8	62.8	63.1
Johnston Mutual Fund	109	154	23.7	28.0	10.1	11.1	66.2	60.9
§Mutual Fund of Boston	285	266	19.4	15.6	32.0	28.3	48.6	56.1
National Securities-Income	560	580	4.1	3.7	15.2	18.7	80.7	77.6
Nation Wide Securities	994	557	7.8	4.1	34.7	38.3	57.5	57.6
Nesbett Fund	73	105	16.7	19.7	25.3	27.4	58.0	52.9
George Putnam Fund	3,416	2,993	10.6	8.6	20.9	24.9	68.5	66.5
Scudder-Stevens & Clark	†	3,867	†	13.1	†	25.9	†	61.0
Shareholders Trust of Boston	375	329	7.5	6.2	29.1	28.6	63.4	65.2
Wellington Fund	14,147	21,603	15.9	20.5	21.9	18.8	62.2	60.7
Whitehall Fund	25	32	2.7	3.0	41.1	44.3	56.2	52.7
Wisconsin Investment Co.	337	281	17.9	13.9	7.2	4.3	74.9	81.8
Open-End Stock Funds:								
Affiliated Fund	2,132	3,375	2.0	2.7	None	0.2	98.0	97.1
Bowling Green Fund	79	161	13.8	26.7	3.7	2.7	82.5	70.6
Broad Street Investing	612	591	5.8	4.8	6.2	5.5	88.0	89.7
Bullock Fund	635	616	9.6	8.4	None	1.1	90.4	90.5
Delaware Fund	297	362	10.8	9.8	10.0	8.7	79.2	81.5
Dividend Shares	6,756	8,026	9.8	10.6	None	2.3	90.2	87.1
Eaton & Howard Stock	298	378	11.6	11.9	1.3	1.1	87.1	87.0
Fidelity Fund	1,575	1,498	6.0	4.7	0.3	1.5	93.7	93.8
First Mutual Trust Fund	70	116	2.1	3.2	23.6	22.7	74.3	74.1
Fundamental Investors	3,006	3,304	6.9	6.0	1.9	1.0	91.2	93.0
General Capital Corp.	688	836	7.7	8.4	None	None	92.3	91.6
Incorporated Investors	3,947	5,330	6.0	7.3	None	None	94.0	92.7
Institutional Shs. Stock & Bond Gr.	183	361	8.5	15.6	None	None	91.5	84.4
Investment Co. of America	1,379	1,588	23.6	22.3	None	None	76.4	77.7
Investors Management Fund	406	447	4.4	4.4	2.4	1.1	93.2	94.5
Knickerbocker Fund	484	927	5.2	8.8	None	None	94.8	91.2
Loomis-Sayles Mutual Fund	2,323	2,347	41.5	40.0	3.5	5.5	55.0	54.5
Loomis-Sayles Second Fund	3,680	3,575	40.5	38.0	4.0	6.5	55.0	55.5
Mass. Investors Trust	10,363	9,179	4.2	3.3	None	None	95.8	96.7
Mass. Investors Second Fund	810	896	4.7	4.7	None	None	95.3	95.3
Mutual Investment Fund	75	15	11.6	1.1	22.3	29.2	66.1	69.7
National Investors	570	356	3.4	1.9	None	None	96.6	98.1
New England Fund	461	463	16.6	15.8	3.9	3.7	79.5	80.5
Republic Investors	292	36	16.4	1.9	2.4	None	81.2	98.1
Selected American Shares	3,597	3,511	24.4	22.1	1.5	0.6	74.1	77.3
Sovereign Investors	45	18	11.6	4.6	21.7	19.8	66.7	75.6
State St. Investment Corp.	15,694	18,885	22.4	26.1	None	None	77.6	73.9
Wall St. Investing Corp.	312	340	24.5	22.6	None	2.1	75.5	75.3
Closed-End Companies:								
Adams Express	4,926	5,642	12.8	14.2	5.3	None	81.9	85.8
American European Securities	1,629	529	18.0	5.5	15.7	12.6	66.3	81.9
American International	2,123	2,754	11.8	14.6	7.0	None	81.2	85.4
Blue Ridge Corp.	5,996	5,429	18.3	15.7	0.9	0.4	80.8	83.9
Capital Administration	558	554	7.4	6.9	10.0	8.9	82.6	84.2
General American Investors	6,646	6,807	17.5	17.3	3.4	3.0	79.1	79.7
General Public Service	323	205	7.1	4.3	None	None	92.9	95.7
Lehman Corporation	13,482	13,626	14.2	13.2	2.9	2.1	82.9	84.7
National Shares Corp.	2,191	1,503	22.1	14.7	4.7	4.6	73.2	80.7
Selected Industries	2,151	2,130	4.8	4.4	12.4	10.5	82.8	85.1
Tri-Continental Corp.	3,340	3,140	4.9	4.2	12.1	11.0	83.0	84.8
‡U. S. & Foreign Securities	1,924	1,839	5.4	4.9	None	None	94.6	95.1
U. S. & International Secur.	7,974	6,252	20.6	15.2	None	None	79.4	84.8

*Investment bonds and preferred stocks: Moody's Aaa through Ba for bonds; Fitch's AAA through BB and approximate equivalents for preferreds. †No interim reports issued to stockholders on this date. ‡Portfolio exclusive of securities in subsidiary or associated companies. §Name changed from Russell Berg Fund.

SUMMARY

Balance Purchases and Sales Portfolio Securities 62 Investment Companies

	Bought	Sold	Matched	Totals
Open-End Companies:				
Balanced Funds	10	2	8	20
Stock Funds	13	9	6	28
Closed-End Companies	6	5	3	14
Totals—All Companies	29	16	17	62

SUMMARY

Change in Cash Positions of 62 Investment Companies

	Plus	Minus	Unchanged	Totals
Open-End Companies:				
Balanced Funds	10	8	2	20
Stock Funds	16	5	7	28
Closed-End Companies	2	6	6	14
Totals—All Companies	28	19	15	62

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Trusts Continue Favoring Utilities in Final Quarter

dicated such a preference. If this caution continues, resulting in large portions of portfolios being taken up with cash and governments, fund distributors may have to explain that a fully-invested position is not necessarily a criterion of management.

It is interesting to note the sensitivity to this problem of the president of one of the large stock funds as shown in his message to stockholders included in the annual report. This fund stopped selling new shares to the public for a brief period several years ago when the stock market outlook was rather bleak, and is known to have regretted such action since its chief competitors forged ahead in the selling field. Valuable contacts had to be re-established and much lost territory regained:

"At the year end net cash and receivables amounted to $5,330,048 or approximately 7% of the total net assets. While this is a somewhat larger cash position than we usually maintain, it must not be construed as an indication of concern that present conditions are unfavorable for common stocks. This cash was generated largely by the sale of securities which had justified our expectations but which we felt had risen to a level where they offered little prospect of further advance, or of securities which had been disappointing and the future of which was clouded. This cash will afford buying power in the event of temporary lower prices or for especially attractive opportunities."

Defensive Positions

However, 27 other funds increased their cash during the period and the open-ends maintained practically the same defensive positions of the previous quarter. These latter companies increased cash and governments by $25 million or 22%. On the other hand, only two closed-end companies increased cash positions by an appreciable amount, so that as a group there was a total decrease in that group's over-all liquid position of almost $3 million. Percentage of net assets of the closed-end trusts in junior equities and equivalents also increased from 81½% to 85½%. The balanced open-end funds had only 66½% thus invested; stock open-enders averaged 83.8% invested in common stocks and the more speculative bonds and preferreds. It will be seen that this latter average is considerably more conservative than the 93% mentioned in the annual report of the "Boston type" fund above.

Certain general management funds state in their published reports that they operate on formula plans and thus automatically switch from the more volatile to conservative investments as common stock prices rise. An example of this is the Nation-Wide Securities Co., a balanced fund sponsored by Calvin Bullock: ". . . your company follows a 'modified formula plan' whereby the proportion of securities held for appreciation is adjusted with changing levels of common stock prices. This plan resembles the type of investment planning followed by certain institutional investors with comparable conservative objectives." Similarly the Mutual Investment Fund announces in its 1949 annual report that it "has just completed its first year of operation with Formula Timing as part of its investment policy."

In assessing the more cautious side of the present investment picture it is interesting to observe

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Trusts Favoring Utilities in Final Quarter

that State Street Investment Co. with a good record for protecting its shareholders in the 1937 market decline has joined the Loomis-Sayles funds (whose past records during this period have been mentioned in previous surveys) in adding substantially to its cash position. The annual report states that the company "started 1949 with approximately 15% of total assets in cash and short-term government certificates. During the year we have felt it prudent to reduce our stock commitments and at the end of the year cash and short-term governments amounted to approximately 26% of the total assets." Commitments in the oil industry during the year were reduced from 31.9% to 20.6% of total assets, major reduction being made in the quarter under review.

As the Loomis-Sayles funds have maintained their cash positions of 38 and 40% at the year-end, remarks of R. H. Loomis, President, in his annual message to shareholders may very well be quoted: ". . . Looking beyond the business momentum of the next few months, there is considerable uncertainty and the possibility that readjustments of a more fundamental and possibly more drastic nature may take place (than the short decline of last spring and summer). Up to now there has been no readjustment in the automobile and building industries. When the postwar shakedown has finally been completed, prices appear likely to continue high by prewar standards. Ultimately they may go much higher than they are today. This possible inflationary environment a few years hence will in large part be due to two powerful social trends spawned by the great depression of the early 1930s and given dynamic impetus by World War II. One is the vast redistribution of wealth which has already taken place in this country. . . . The second social development making for higher prices is the trend . . . toward what is now known as the 'Welfare State.' "

Although Fidelity Fund bought on balance during the quarter, its President, Edward C. Johnson 2d, after noting that ". . . stocks in general are apparently now very cheap according to historical precedent" cautions thus: "Yet for the last 18 years the vicinity of 200 in the Dow Jones Industrial Average has always marked a high and vulnerable level in security prices. Also, the high and profitable rate of business activity since 1946 can hardly be assumed to be permanent. At what level can earnings be expected to stabilize after the abnormal influences which contributed to the postwar business boom have faded? These influences, incidentally, appear to be waning fast."

A generally more optimistic note might naturally be expected from Edmund Brown, Jr., President of Fundamental Investors, which was one of the dozen funds noticeably to pick up its tempo of purchasing during the quarter. ". . . It can be argued that many of the supporting factors are artificial, that government policy has an important bearing upon the demand for goods and the demand for securities. But we must deal with things as they are. A money supply which is created by government deficits and government financing, rather than through private borrowing, is not readily withdrawn from the financial markets. . . . While it is sound practice to sell those securities which are out of line with earnings and dividend prospects, there are many shares today which seem to be reasonably priced. Accordingly, your management has maintained a large invested position, although certain changes have been made in the portfolio holdings. . . ."

Utility Transactions

Among the utility issues approximately 60 transactions resulted from completion of distributions under dissolution programs and exercise of rights by stockholders to acquire additional capital for furtherance of construction programs and integration plans. Such additions are not included in the total purchases of this group noted earlier as comprising 20% of portfolio increases. As in the previous period, these comprised Central Illinois Light Co. and Consumers Power received for Commonwealth and Southern preferred and Ohio Edison and Southern Co. which were exchanged for the common stock of the same company. Many trusts added to these commitments received in exchange. 16 investment companies received shares of Middle South Utilities, part as a dividend from Electric Bond and Share and part through exercise of rights issued by the same concern. 12 trusts acquired shares of Peoples Gas Light & Coke but half of these acquisitions resulted from conversion of that company's 3% convertible debentures. Texas Utilities common was received by five funds as a liquidating distribution from Electric Bond and Share.

Among utility issues, additions of which were partially stimulated through rights, were American Gas & Electric and American Natural Gas. 11 companies added shares of the former and 18 those of the latter. Two-thirds of the 12 companies purchasing Illinois Power did so through exercising rights. Shares of Rochester Gas & Electric and of West Penn Electric also were partially bought with the aid of rights. Seven trusts made commitments in the former utility and three in the latter. 38,850 shares of New England Electric System were in part acquired through rights.

Consolidated Edison of New York, an old-time favorite, was the most popular issue in this group to be bought without the incentive of special offerings to stockholders. Six trusts purchased a total of 22,000 shares, five of which were new commitments. One company eliminated a block of 1,500. General Public Utilities, also well liked in the previous period, was added by four funds and newly acquired by another. There were three sales, representing 56,800 shares, two of which completely removed the stock from portfolios. Five trusts bought 15,100 shares of Public Service Electric and Gas, but there were three sales totaling 9,100. No liquidation appeared in Utah Power and Light as four funds added a total of 20,163 shares. An equal number of companies added 85,400 shares of Virginia Electric and Power, two of which represented new commitments. A lot of 10,000 was eliminated from one portfolio. Brooklyn Union Gas, Florida Power, and Public Service of Colorado, as well as General Telephone were each added by two managements.

Duplicating its performance during the previous quarter, United Light and Railways was the most heavily liquidated issue. Seven managements disposed of a total of 77,000 shares, four of which completely removed the stock from their holdings. Niagara Hudson was sold by five managements; three of these completely eliminated the holding company from their portfolios. There was one small purchase. Four trusts cleaned out 17,250 shares of Kansas Power and Light from their holdings but another management group added 10,000. There were also four sales of Indianapolis Power and Light which were partially offset by half as many purchases. Three trusts decreased investments in Dayton Power and Light, while two others eliminated shares of Potomac Electric Power and a similar number lightened holdings of Columbus and Southern Ohio Electric. Opinion was divided on Cincinnati Gas and Electric and also on North American Co.

Consolidated Natural Gas was liked by three managements entitling it to claim of most popular issue in the natural gas group. Panhandle Eastern Pipe Line stock was split but three funds added more shares. Southern Natural Gas, Western Natural Gas and Texas Gas Transmission were each added by two investment companies, while there was no offsetting liquidation in any of the three issues. Mississippi River Fuel was eliminated from two portfolios and lightened in another for a total of 28,500 shares; there was one purchase. Eight managements split opinion on the Columbia Gas System, although the selling resulted in complete portfolio eliminations. Similarly, appraisal of United Gas Corporation was divided, seven trusts buying, and a like number liquidating.

Popularity of the cement industry issues, which dominated the building group during the second and third quarters of the year, subsided as seven funds added to holdings of American Radiator; 40,400 shares were purchased. Two managements lightened portfolios, while two others completely disposed of the stock. Flintkote was next in demand, three trusts making new commitments and two others increasing lots already held; 20,200 shares were added. Two companies sold a total of 2,200 shares. Lone Star managed to get some attention from four funds, three of which made initial additions. However, two other trusts disposed of a total of 6,100 shares. Pennsylvania-Dixie Cement also received limited preference from two managements who purchased a total of 2,000 shares. Johns-Manville was liked by four funds which acquired blocks amounting to 11,200 shares. There was one sale of 1,000. A like number of companies bought 64,000 shares of U. S. Gypsum, while half that number sold 1,400. Four managements also added Yale and Towne, while there were no transactions on the selling side. Neither was there any liquidation in Pittsburgh Plate Glass, 15,400 shares of which were acquired by three companies. 10,800 shares of Certain-Teed Products and 13,700 shares of National Lead were added to a like number of portfolios. Selling in the group was light and concentrated on no individual issue.

Safeway and Federated Favored

Continuing their popularity of the previous quarter among the retail group both Safeway and Federated Department Stores were favorites with investment managers. Five purchased a total of 24,500 shares of the former stock and 13,600 latter. One new commitment in Safeway, however, contrasted with three in Federated Stores. There was one sale of each of these merchandising leaders. Allied Stores was also well bought, two trusts making additions to holdings and two others making initial purchases totaling 20,800 shares. There were two sales of 5,000. Grant and Kresge found favor with three managements each, all additions of the latter company representing new commitments; there was no liquidation in either issue. Also bought by two companies were Edison Brothers Stores, S. H. Kress and Macy. 13,000 shares of Hoving Corporation were disposed of by two managements, while the same number liquidated 2,800 shares of Jewel Tea. Opinion continued to be fairly well divided on Montgomery Ward, five purchases of 27,900 shares matching six sales of lots totaling 24,700. There was also a division, although relatively little activity, in Sears Roebuck, two transactions occurring on each side of the market. While there appeared to be similar indecision on Bond Stores, a pair of additions totaling 2,000 shares was offset by a like number of complete eliminations amounting to 22,800 shares.

Kennecott kept its pronounced popularity among trust people, eight managements purchasing a total of 28,700 shares, three of which represented initial additions. However volume of sales increased as well as purchases, four lots totaling 48,300 shares. Phelps Dodge vied with International Nickel for second place among the non-ferrous group, five trusts adding 8,300 shares of the former and 13,500 of the latter. However three sales of Phelps Dodge totaling 47,600 shares contrasted with liquidation of only two lots of Nickel amounting to 12,700. American Smelting was also liked by five funds for a total of 5,150 shares, but here again selling out of three portfolios totaled 13,300. No liquidation was in evidence, however, in Aluminum Co. of America which was added to the holdings of four tusts. American Metal and New Jersey Zinc were added by three and two managements respectively. The latter represented initial additions. Opinion was almost divided on the leading gold mining issues; four purchases of Homestake totaling 32,800 shares offset three sales amounting to 8,000 while three purchases of 13,300 shares of Dome contrasted with liquidation of two portfolios totaling 25,400. There were 10 complete eliminations of West Kentucky Coal which had been received in the previous quarter as a distribution from North American. 6,000 shares of U. S. Smelting were sold by two other funds.

Popular Chemicals

American Cyanamid, Dow Chemical and Charles Pfizer were equally popular among the chemical issues, four managements making additions of each concern. Additional stock of Dow was acquired during the period but this represented a distribution of a stock dividend of 2½ shares for each 100 held. Additions totaled 12,900 Cyanamid, 8,165 Dow (excluding the stock dividend) and 11,800 Pfizer. Thirteen trusts added also to holdings of Eastman Kodak, but seven of these represented increases from a 5% stock dividend. There were two sales each of the three first mentioned issues. Both Dow and Eastman had been lightly favored in the previous quarter, although no preference had been shown for the chemical group as a whole. Two managements made initial commitments in Rohm and Haas while a third added to a lot already held; there were no sales. Also finding favor among three funds each were Union Carbide and Victor Chemical Works. Purchases of the former totaled 4,000 shares and of the latter, 12,700. There was a single sale of each of these issues. A division occurred in Hercules Powder, four companies increasing holdings by 15,000 shares while three others liquidated 2,000. Dupont was sold by five managements and purchased by two others. Other chemical concerns not so well favored were Commercial Solvents and Monsanto each of which were disposed of by four funds. However, there was one sizable initial commitment in Commercial Solvents.

National Dairy remained the best liked stock among the food issues as in the previous quarter, seven funds purchasing a total of 13,800 shares. Another trust completely eliminated a lot of 1,000. Three companies each purchased Standard Brands and Stokely Van Camp; there was a single sale of a small lot of 300 shares of the former. Borden and Continental Baking were also each purchased by two managements with no offsetting liquidation. The only concentrated selling was the complete elimination by two companies of 3,500 shares of American Chicle.

Transactions in the issues of financial institutions followed a pattern that has shown little variation over the last few quarters. Among financing concerns, 11,060 shares of C. I. T. Financial were acquired by six investment managements two of which made initial commitments in this issue. Two sales amounted to 2,600 shares. Activity in Commercial Credit, however, was less pronounced, two funds eliminating 2,500 shares while a third purchased a lot of 800. As usual, there were several scattered purchases of insurance stocks, no concentrated buying being indicated. A few stock dividends were registered in the Boston Insurance Co. and Great American Insurance, while two managements bought very small amounts of Hartford Fire to round out lots received as stock dividends earlier in the year. Two trusts eliminated 12,000 shares of the Fireman's Insurance Co. of Newark. Only concentrated buying of bank stocks occurred in Bankers Trust of New York. Three investment companies purchased a total of 6,900 shares one of which was a new commitment.

Three liquor distillers also received a certain measure of attention. Four trusts purchased a total of 44,600 shares of Distillers Corporation-Seagrams, two of which represented initial purchases; there was one complete elimination of 14,000 shares. 11,600 shares of National Distillers were purchased by three managements one of which was an initial addition; there were no sales. Nor was there any liquidation in Hiram Walker - Gooderham and Worts, 5,100 shares of which were acquired by two companies.

Among the motors and motor parts there was almost a balance between total purchase and selling transactions, although concentration was more in evidence on the buying side. 12,500 shares of Chrysler were acquired by eight trusts, two of which were new commitments; two sales amounted to 6,300 shares. General Motors was added by seven funds, two of which also represented initial purchases. However, the addition of 15,000 shares was offset by liquidation in five portfolios totaling 7,900. Three purchases of Studebaker almost balanced four sales. Among parts manufacturers Electric Auto-Lite was bought by four managements while Doehler-Jarvis was acquired by three. Four funds sold Libby-Owens-Ford Glass while two others decreased holdings of Thompson Products by 12,400 shares.

Eastern Air Lines was the only air transport company to find favor with the trust managers, four adding 13,900 shares to portfolios. Among manufacturers, United Aircraft was purchased by five funds, but liquidated by three. 11,800 shares of Bendix were added during the quarter to four portfolios, one of which was a new acquisition. One lot of 1,000 shares was eliminated. Two funds bought Lockheed. A like number of managements sold 4,200 shares of Grumman.

Drug Products

The Drug Products were well-liked in contrast with the previous quarter. Three managements purchased McKesson and Robbins. Also acquired by two trusts each were 5,500 shares of Merck, 10,500 of Parke Davis and 16,400 of Procter and Gamble. There were no sales of any of these latter issues, but two trusts lightened holdings in Sharp and

Dohme. Continental Can was bought by six trusts, but a like number were divided on American.

Westinghouse was favored among the major electrical equipment concerns while General Electric was weighted on the selling side. Nine managements purchased a total of 48,900 shares of Westinghouse, while three sold 9,800. In contrast, 12,600 shares of General Electric were added by five funds, as seven disposed of 29,800 shares, three of which were complete eliminations. The television fad did not see much reflection in the activities of the general management investment companies. There were only three additions of Philco and Radio Corporation; two purchases of Zenith were partially offset by one complete elimination. Among small equipment concerns, Sunbeam and Square "D" were each bought by two managements.

Most heavily sold issue among the oils was Phillips Petroleum. Nine managements disposed of 18,400 shares; purchases by six funds totaled 11,300. Also increasing in unpopularity was Gulf Oil, eight trusts liquidating 26,300 shares. Acquisitions by three funds totaled only 2,900. Six companies disposed of Continental Oil, while half that number sold Skelly. There were three additions to holdings of the former and only one of the latter. Six funds lightened Ohio Oil, as against three purchases. There was a division in opinion on Standard of New Jersey. Purchasing was concentrated in Standard of Indiana, six managements buying and none liquidating. Seaboard Oil of Delaware and Texas Company each found favor with four trusts. Two funds purchased American Republic Corp., Atlantic Refining, Delhi Oil Corp., Richfield, Standard of Ohio and Union Oil of California. In addition to the concentrated selling by State Street noted previously, there was marked liquidation of oils by Blue Ridge Corporation and Tri-Continental Corp.

Selling in the tobaccos was featured by Liggett and Myers, eight managements liquidating a total of 14,675 shares, six of which represented complete eliminations from portfolios; there were two purchases. Five funds also disposed of American Tobacco, but there were no portfolio additions of this issue. Buying was concentrated in Philip Morris, four trusts adding 10,700 shares. Three managements each sold holdings of Remington Rand and Addressograph-Multigraph, all but one eliminating these stocks from holdings. There were two sales of Burroughs and no purchases.

The Textiles

Textiles were featured by six purchases of American Viscose; offsetting this was complete elimination of the issue by one fund. Two trusts each purchased Colonial Mills, Pacific Mills and United Merchants and Manufacturers. While five funds purchased Celanese, this was almost balanced by liquidation in four portfolios, although total volume of shares added was four times that of sales. Steels were divided with purchases and sales scattered other than three additions of United States Steel and liquidation of National Steel by the same number of funds. Buyers favored the rubber stocks with five purchases concentrated in Goodrich and four in United States Rubber.

The Rails

Over-all transactions were evenly divided among the railroad issues. Six managements purchased 38,700 shares of Chicago, Rock Island & Pacific. Five funds bought Great Northern Preferred, while four increased holdings of Atchison. Chesapeake and Ohio was also liked by three trusts. Three managements liquidated holdings of Southern, while two each disposed of holdings of Pennsylvania, Northern Pacific, Gulf Mobile and Ohio and Delaware and Hudson Co. It is worthy of note that complete elimination of 21,000 shares of Pennsylvania was made by the Shareholders Trust of Boston and the Investors Management Co. group. Railroad equipments were also liquidated, four trusts selling Westinghouse Air Brake, three American Locomotive and two Pullman. However, Brake Shoe was bought by three funds.

Detroit Stock Exch. To Hold Annual Dinner

DETROIT, MICH.—Many national leaders of the securities industry will gather in Detroit on Tuesday, February 21st, to attend the Annual Dinner of the Detroit Stock Exchange. To date invitations have been accepted by John Haskell, Vice President of the New York Stock Exchange; Francis Adams Truslow, President of the New York Curb Exchange; Clement A. Evans, Clement A. Evans & Co., Atlanta, Ga., Chairman of the National Association of Securities Dealers, Inc.; Albert T. Armitage, Coffin & Burr, Inc., Boston, President of the Investment Bankers Association of America; Benjamin H. Griswold, III, Alex. Brown & Sons, Baltimore, Md., President of the Association of Stock Exchange Firms; Edmond M. Hanrahan, former Chairman of the Securities and Exchange Commission. These men will join local Exchange members, bankers, and corporate executives in honoring Harry A. McDonald, the new Chairman of the Securities and Exchange Commission, who will deliver the principal address of the evening. Charles B. Crouse, Crouse & Co., is General Chairman of the Dinner Committee.

Ladd Dinkins Joins Scharff & Jones, Inc.

NEW ORLEANS, LA. — Ladd Dinkins is now associated with Scharff & Jones, Inc., 219 Carondelet Street. Mr. Dinkins is widely known in banking, civic and social circles in New Orleans. He was formerly connected with the Louisiana Savings Bank & Trust Co., of New Orleans, serving as trust officer and cashier, and at one time, was connected with the Trust Department of the Whitney National Bank, of New Orleans.

Mr. Dinkins is a graduate of Tulane University, Class of 1928, and also took special business courses at Loyola University of New Orleans. He also served in the armed forces in World War II as Lieutenant in the Navy.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

Interest of the late John S. McMillan in Dempsey-Tegeler & Co. ceased Dec. 31, 1949.

J. D. Perry Francis, member of the Exchange, died on Feb. 6.

Transfer of the Exchange membership of Harry Grabosky to Thomas W. Frank will be considered by the exchange on Feb. 23. It is understood that Mr. Frank will do business as an individual floor broker.

Mary F. Henderson limited partner in Charles F. Henderson & Sons died on Feb. 8.

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The Widow's Mite and The Indispensable Penny

bride's home state of Kentucky, contrasts with the sum total of the solitary Penny's might and power.

Our Billion Dollar Country

How many of you recall Speaker Thomas Brackett Reed's impromptu reply to the complaining Democrat who thought that the House appropriations of that day (1881-1891) would break the country: "I would have the Senator know that this is a billion dollar country."

How old fashioned "Czar" Reed, as the famous speaker of the House was then called, would be if he was standing in Mr. Harry S. Truman's shoes today demanding not one but billions without number for his next year's budget.

Yes, I regretfully admit that the million dollar age and the gay ninety's have passed away forever and we breathe and think and talk in "Billions" today and he who does not is considered in American vernacular either a piker or a peanut individual.

From 1793 to the end of 1947, the United States Mint had turned out 17,572,542,800 shiny one-cent pieces; and during the fiscal year 1948, an additional 571,942,500 new coppers were minted for later pocket circulation.

Just Supposing

Suppose, for purposes of conversation, this savings account had been started with just one solitary 10-cent piece, the result would have increased the sums yearly 10 times the total for the modest but unshrinking Penny.

Or suppose the perpetual savings bank from the birth of Christ to 1920 had deposited a 25 cent piece or, better still, suppose a Croesus had put 100 pennies in the interest bank at the start—the expert mathematician or C. P. A. would tell you that the magnificent computation would increase the grand total 100 times larger.

Figuratively speaking, the interest accumulation of the original 100 cents placed end to end, might encompass the earth or reach to the moon.

Probably all the banks and all the safe deposit vaults as well as warehouses in the world would not be large enough to hold such an unparalleled quantity of metal money—especially if it existed in the form of Pennies.

With my tongue in my cheek, there is just one other conjecture which only the hard money advocates (who are known to be devout readers of the "Chronicle") can answer and that is this: if the dollar is valued at 59.05 cents why wouldn't 120 shiny coppers pay for two dollars of merchandise, real estate, commodities or securities? Q.E.D.

Then again the foregoing Quiz on the modest, unassuming Penny may sound as familiar to the Gray Heads as William Jennings Bryan's fallacious 16 to 1 silver battle cry or Dr. Townsend's $200 a month age pension handout.

It is almost inconceivable to believe what the total of interest money would be if the 1920 computation was continued with mathematical exactitude to 1950. And maybe there aren't any words in the English language expressive enough to designate the 1950 dollar figure after you reach destination.

Besides, Mr. Thomas L. Watson, the able directing mind, hand and heart of the International Business Machines Co., might not be able to build a new multiplying machine giant enough to do the computing job for that indispensable Penny that grew and grew "just like Topsy."

A Class Room Scene for the Study of the Miracle of Interest

Miss Stickney the teacher speaking:

The class in Economics will please come to order.

Now children, I want to bring you up to date so that you will know your onions when you see them and how many are growing in the garden and on your Father's farm and if you will be quiet, I will explain the enigma known as "How Money Grows." I want you to know all about the Capitalistic system for if you do, you can't lose.

Numeration of money or anything is simple and understandable if you follow the rule.

Now you know that numbers are divided into periods of three figures each, the first three figures stand for "hundreds," the second three figures for "thousands" and the next three figures for paltry "millions," then those things that are so popular with your elders these days—called "billions," follow after "millions." You should readily recognize a "billion" dollars when you see it, for right at this moment your Congress is spending the Taxpayers' money by proxy and those Washington politicians never stop to ask us whether we like them to spend "billions" without our consent or approval.

So after "billions," which are a commonplace these days, for do we not give "billions" away by the bushel basketfull to help get the European countries to be on our side of the Iron Curtain — you know what I mean, Western Europe, Atlantic Charter, Atlantic Pact, Marshall Plan and all that —we come at last to "trillions" and then "quadrillions" but the oddest thing is, children, nobody over 21 years of age who works for a living in this country, seems to be much interested in any higher denomination than "quadrillions."

May I digress for a moment, to say that we may have at least one future President in embryo in this very room and I am sure there are other aspiring boys and girls in this class room who, when they are elected to Congress will want to know how far they can go to spend, spend, spend and to tax, tax and tax, their constituents for all the nice things like pensions, old age insurance, free medicine, doctor's care and everything which they, the politicians, think will win more votes for the party in power.

Are We Our Brother's Keeper?

But anyway, please copy these numeration progressions in your note book and of course, nobody will ever want to keep any of these vast accumulations of money for himself or herself and would not know what to do even if he had a cellar full of the "long green," but come to think about it, if you are as benevolent minded as your fathers and mothers, one of you like Sheridan Smith will want to pay off Great Britain's debt, and maybe Paul Slater in the back row, will pay off France's national obligations and Johnny Palmer sitting there in the front row, will just love to liquidate Italy's debt and while Herbert Russell would like to discharge Belgium's national debt. Do any of you remember that smart boy in Congress, was it Richard Wigglesworth, who said that the combined Federal, State and Municipal debt, including corporation and private debts in this country added up to something over $600 billion and that my friend, George Sokolsky said it was Mr. Wigglesworth who gave him those figures for publication in the New York "Sun." Well surely one of you girls, perhaps Mary Rose Sheridan, will if only as a public spirited act, want to pay off our country's own debt just to get us out of hock for a week or until Congress has time to misappropriate oodles and oodles of more "billions" for bubble gum and some new day dreams.

After "quadrillions" my dear children the succeeding periods are labeled this way:

Periods of 3 Figures

7th quintillions
8th sextillions
9th septillions
10th octillions
11th nonillions
12th decillions
13th undecillions
14th duodecillions
15th tredecillions
16th quatuordecillions
17th quindecillions
18th secdecillions
19th septendecillions
20th octodecillions
21st novendecillions
22nd vigintillions

Now children, with these facts firmly imbedded in your minds, will one of you boys or girls tell us how much money is involved in the last total of our "How Money Grows" table which I have chalked on the blackboard—that is, what is the total interest on a single Penny compounded at 5% annually from the year 1 Anno Domini, to the year of our blessed Lord 1920?

Johnny Palmer Distinguishes Himself

Johnny was seen to raise his right hand.

Oh, yes! Johnny Palmer, will you please stand up and give the class the answer?

Johnny took in a long breath and to the admiration of all his girl friends present he proudly declared: "Miss Stickney, the sum total of $503,441,000,000,000,000,000,000,000,000,000,000,000,000 in terms of dollars is expressed as $503 'undecillions' and 441 'decillions' and believe me, Miss Stickney, that ain't hay." Then he fainted! ! After reviving him, his teacher, Miss Stickney, said, "Johnny, you are just wonderful to give us the correct answer. I knew it was in you. I must confess that 'undecillions' don't sound like much, but we must build ourselves up to absorb 'undecillions' mentally the way we have 'billions' so that we will not tremble or faint when 'undecillions' are mentioned. Children I think you have given me quite enough answers this morning. The class is dismissed for the day because I suspect that some of you will want to get some fresh air and to play golf this afternoon! !"

"The Widow's Mite"

This article would be far from complete if reference was not made to "The Widow's Mite" that simple but appealing story of the woman who made the supreme sacrifice, who gave her all — a story for Mothers, Fathers and children that will be remembered and cherished as long as "Hamlet," Shakespeare's greatest play, is read and recited. In the Saviour's words:

"And Jesus sat over against the Treasury, and beheld how the people cast money into the Treasury: and many that were rich cast in much.

"And there came a poor widow, and she threw in two mites, which made a farthing.

"And he called unto him his disciples, and said unto them, Verily I say unto you, that this poor widow has cast more in, than all they which have cast into the Treasury.

"For all they did cast in of their abundance; but she of her want did cast in all that she had, even all her living.

Continued from first page

As We See It

political party that will try to delude them into thinking that someone else is going to pay the tax burdens, they should look elsewhere!". . .

"The lessons of history clearly indicate that unless there is a code of conduct which causes people as a whole to have respect for the rights of their fellow men, to regard them as individuals endowed with human dignity, to treat them with justice regardless of the terms of any laws or rules—that unless there is such a basis for the relationship between men—there cannot be true freedom, for the only alternative method for keeping such a society functioning is through laws and decrees possessing such detail and providing punishment so ruthless and extreme as to wipe out human liberties.". . .

"Government is like fire. If it is kept within bounds and under the control of the people, it contributes to the welfare of all. But if it gets out of place, if it gets too big and out of control, it destroys the happiness and even the lives of the people.". . .

"But throughout the world evidence accumulates that man's situation is not static and that if he is but partly free, he will either gradually win full freedom or slowly lose all his freedom."

Now, if this were all that Mr. Stassen had said, we and millions other like us would applaud heartily and with little or no reservation. But it is not all. He also called for "the evolvement in this industrial age of a modern people's capitalism and a modern free man's government which, with skill and ingenuity and flexible adaptiveness, constantly sets up those new rules and new limits to keep the game of life of free men fair, to ease the plight of those who are ill or unemployed or aged, but never to so burden the producer, or so reward the slacker, as to undermine the virility of an economy."

Precisely what this sentence means we do not know. Possibly Mr. Stassen doesn't, but to us he seems to have changed the key in the middle of his concerto.

Senator Ives

And then there is Senator Ives, who is commonly believed to reflect sentiments closely akin to those of the Dewey element in the party, which is giving evidence in Albany of deep dissatisfaction with the recent generalizations of the national body of the Republican party-generalizations which, despite high-sounding words and strong phrases, left a good deal about which one must guess. But let us see what Senator Ives finds to say on Lincoln's birthday. Here are some of his sentences:

"It is most unfortunate for the country as well as for the Republican party, that too often we have not been receptive to new ideas. Too often we have not exhibited that open-mindedness which characterized Lincoln. The voters of this country have repeatedly told us so. They told us in 1932; they told us again in 1936; they repeated it in 1940, 1944 and 1948. . . .

"Oppose we must. But we must propose, too.

"To attract the support essential to our success, we Republicans must stand for things. And we can stand for things without being a 'Me-Too' party.

"Our great task is to combat the reckless spending, the glaring incompetence and the socialistic programs of the Fair Deal. In doing so, we must show that we possess genuine solicitude for the welfare of all the people.

"We must point the way to the maintenance of our free society while indicating the steps to be taken to improve continually the lot of the ordinary man. The mighty challenge confronting us is to provide the means for the reconciliation of the ever-growing demand for security with the even more vital requirement for the preservation of freedom."

Does not the Senator understand, and do not the others understand, that if the lot of the ordinary man is to be improved it will come as it has come during the past century or two through the workings of a free economy operating on its own? And do they not know such security as may be obtained in this uncertain world is and always will be a product of that same system?

The People Are Victims

One could, if there seemed to be profit in it, continue more or less indefinitely to quote Lincoln Day orators, who pay lip service to American tradition, and then cast all the fat in the fire by wincing and relenting and refraining in an effort to appeal to those elements which appear to have lost their real interest in American traditions, and in the kind of economic and social life which has made this country what it is, and which will, despite all the "isms" and all the foreign fine talk, bring whatever blessings the future has in store for us.

What renders all this the more depressing is the plain fact that the time-serving politicians are from their standpoint all too often right. At least political success at the moment seems best sought by such molly-coddling of the rank and file of the people who, from all appearances, have fallen victims to some sort of disease which leads them to suppose that the problems of life which they and they alone must solve each for himself can with safety be left to the professional politician. It is the parallel disclosures being made in the course of the much publicized spy trials of the day which are most disturbing. It is clear that communism has somehow attained the status of a religion with a good many people who are willing, as a matter of devotion to a creed, to do all sorts of things which ordinary people would not ordinarily consider doing.

The people of this country—and of many other countries—are badly in need of an intellectual cold shower!

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Anti-Trust Suits And Investment Values

the Sherman Anti-Trust Act. Although a final judgment has not yet been entered, some form of separation or paring could occur. The lamp division of the company was an important contributor to the prewar earnings of General Electric, but is now of somewhat lesser importance.

General Electric has probably been named in more anti-trust suits than any of our leading companies. In recent years, several suits have been in process simultaneously. An examination of the market action of the stock in relation to the suits, therefore, is not particularly enlightening.

American Telephone & Telegraph Company

Anti-Trust action against this major utility enterprise is aimed primarily at the company's equipment manufacturing subsidiary, Western Electric Company which it seeks to break-up into three separate, competing units. Western Electric, as the principal manufacturer of telephone equipment for the Bell System, is alleged to be a trust which is fostered by its ownership by the Telephone Company. The suit was filed on Jan. 14, 1949 in the Federal District Court in New Jersey. The market reaction to the filing of the suit was not as pronounced as in the other important cases studied. By the end of the third day of trading following the announcement of the suit, the stock of American Telephone and Telegraph had declined 6¼ points from 149¼ to 143, or a loss of 4.2%, which is considerably less than in earlier anti-trust cases. Thereafter, the stock soon recovered substantially all of the loss.

This suit may prove to be a long, drawn out legal matter with the Telephone Company defending its position to the utmost. Obviously, the progress of such a suit or when or what will be the final decision cannot now be predicted. Much depends on the vigor with which the suit is pushed by the government.

E. I. du Pont de Nemours & Co.

Du Pont frequently has been attacked for its "bigness." In an article in the January-February, 1949 issue of du Pont Magazine, du Pont acknowledge that while its total sales are greater than for any other one company of the more than 7,000 in the chemical and allied products industry, it still sells only about seven per cent of the total. Furthermore, it pointed out, it faces competition by one to fifteen major producers in practically all of the 40 product lines that make up most of its business. It also contended that, while many of the competitors may be smaller in total size than du Pont, they are larger in the field in which they are competing.

The formal public investigation of the company began in August of 1948, when numerous company records, some dating back to 1915, were subpoenaed. Du Pont holds a 23% interest in General Motors and a 60% interest in Remington Arms. It is also joint owner with General Motors in Kinetic Chemicals, Inc. General Motors, in turn, has a joint interest with the Standard Oil Company (New Jersey) in the Ethyl Corporation. Holdings by members of the du Pont family in all these companies, together with their personal interest in United States Rubber, said to aggregate 17% of the common stock, were also under examination. In all, sixty-two companies were included in the investigation, designed to trace the activities of the du Pont family.

Charging it as the largest industrial empire in America, the Justice Department filed suit on June 30, 1949 against the du Ponts individually, the du Pont company, together with General Motors, United States Rubber, Christiana Securities and Delaware Realty and Investment Corporation. Basically the attack appeared to be centered on the family group with the corporations acting as the vehicles of the alleged trust.

Because of the advance knowledge of the investigation, the filing of a suit against the group on June 30, 1949 was no surprise to the investor public. Consequently, no appreciable market reaction was evident in the stock prices of the principal defending corporations.

The outcome of this suit, which the Attorney General called "one of the most important cases in the history of the Sherman Act," is impossible to forecast. The scope of the suit is so broad and the allegations so complex that the aims of the Government at this time are obscure. The family group, however, appears to be the primary target, although the association between the companies is also attacked. Some separation of the joint ownership in subsidiaries may occur. Also, the separation of some chemical operations of du Pont may be ordered, although the company may be able to defend its chemical operations as a whole. Should, however, the attack on the minority investment holdings of the group be upheld, the development would be serious, in the sense that if the minority interests were held to be illegal, the scope of the Sherman Act might then be broadened. Family corporations or those dominated by family groups could then be subject to attack. Also, a clearer definition of what constitutes "bigness" might be necessary. The case most certainly is very important, but in view of the company's expressed intention of "resisting this action," the outcome may be years in the making.

The Great Atlantic and Pacific Tea Company

This leading food retailer is a defendant in an anti-trust suit for the fifth time in nine years. The present civil suit is an outgrowth of an earlier criminal suit in which the company was held in violation of the anti-trust laws. The current suit attacks the bigness of A. & P. as a force used to obtain discriminatory price preferences from dealers or manufacturers. The Justice Department seeks to break up the company into seven regional grocery firms, to separate the manufacturing units and eliminate the central buying affiliates.

The company is carrying its case to the public in extensive advertising in which it emphasizes its efficiency and low cost to the public. It says that to do away with the central buying, manufacturing and other facilities which enable it to sell good food cheaply, would raise prices to consumers and that the same rule could be applied to all other large scale efficient distributors as well. The eventual outcome of this suit is impossible to predict and may take many years to resolve. Public interest in this suit has been aroused to a greater extent than in any other pending suit.

EDITOR'S NOTE: The foregoing is the third of four installments in which we are presenting Mr. Vultee's article. The concluding installment will appear in the "Chronicle" of Feb. 23.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, CALIF.—Walter C. Wurster is with Waddell & Reed, Inc., 8943 Wilshire Blvd.

With Bailey & Davidson

(Special to THE FINANCIAL CHRONICLE)

FRESNO, CAL.—Glenn H. Nielsen is with Bailey & Davidson, 2133 Fresno Street.

Floyd A. Allen Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CAL.—Dwight Leslie has been added to the staff of Floyd A. Allen & Co., Inc., 650 South Grand Avenue.

With Blyth & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CAL.—Gerald M. Burrill is with Blyth & Co., Inc., 215 West Sixth Street.

Egerton, Wykoff Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CAL.—Luther Welch has been added to the staff of Edgerton, Wykoff & Co., 618 South Spring Street.

With Mitchum, Tully

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CAL.—Derek C. Parmenter is with Mitchum, Tully & Co., 405 Montgomery Street, members of the Los Angeles Stock Exchange.

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The Security I Like Best

also parts of Cape Cod and Portsmouth, N. H. Sixty percent of revenues are derived from electricity and a little less than 40% from gas. With the recent issuance of common stock, the common-stock equity is well over 25%.

Recent developments that hold promise of future earnings improvement include the introduction of high BTU gas into the Cambridge area and, more recently, the company has embarked on the use of low-quality oil for the production of manufactured gas. It takes roughly 11 gallons of regular fuel oil to produce 1,000 cubic feet of gas by the oil method, and it takes roughly 12 gallons of the heavy low-value crude oil to produce the same amount of gas, and the difference in cost is roughly 4 cents per gallon. So that approximately 40c per 1,000 feet of gas is saved by this new method. This method has been tried successfully for the past two years by the Consolidated Gas Electric Light & Power Co. of Baltimore and no technical difficulties are expected in introducing this new method in the Cambridge area. With this new development, natural gas for this company is not a necessity. In fact, it appears to the writer that the selfish interests of the company would be improved if natural gas never came to New England since its rates would appear so comparatively better than the companies serving adjacent areas which use the coal coking method to produce gas at considerably higher cost. In other words, the company is in the remarkably enviable position of having the lowest cost for manufactured gas in its area and being able at any time to benefit by natural gas if and when it is brought into New England.

As far as electric rates are concerned, the residential charge for the first 100 k.w.h. in Cambridge is only $3.15 compared with $4.92 right across the Charles River in Boston. With comparative rates such as this, it does not seem probable that the company's rates should be questioned too much even though they should earn rising 6% on their net plant account.

According to my calculations, if the company were able to earn 6% (which it should seemingly be able to do very soon) on its net plant account, my figures indicate that it would show $1.85 to $1.90 on its common stock. My estimate for this year indicate that reported earnings will be between $1.50 and $1.60, which makes the dividend rate of 90c appear very conservative.

In considering the stability of the company's operations, it is interesting to note that in the last 19 years earnings available for the parent company's charges were never lower than 87% of last year's figures . . . a very remarkable showing when compared with many other properties of this sort.

Another interesting point which I believe is important to the utility stockholder is the fact that the directors and officers of this company combined hold almost 140,000 shares of stock, according to the last prospectus, which is very refreshing after looking at some of the meagre officer-director holdings in some of the so-called "blue chips" in the utility field. Incidentally, this large holding of stock by the officers and directors may well protect the public stockholders in the development and introduction of natural gas in the New England area.

EDWARD ROTAN

Rotan, Mosle and Moreland, Houston, Texas

I find the selection of "The Security I Like Best" a very simple job—my choice is that lusty and fast growing new member of the mutual investment company industry, Texas Fund.

Edward Rotan

The far flung national publicity in recent years regarding the natural wealth, prosperity and growth outlook of Texas and the Southwest has unquestionably kindled the imagination of investors in all parts of the country. During those same years the basic principle of cooperative investing through the shares of mutual investment companies has at last come into its own and started achieving the broad public acceptance it has long merited. The combination of these two factors convinced a group of young Texas businessmen early in 1949 that a "Boston-type" mutual fund confining its investments to leading stocks in those industries which make up the economy of Texas and the Southwest would be a "natural"—and that it would meet with a warm reception from conservative investors everywhere. From this conviction came Texas Fund, Inc.

In its set-up, Texas Fund conforms with all the more conservative practices of the mutual fund industry. Acquisition cost is the standard 7½% (with 5% to the dealer), scaling down to 3% on a $100,000 purchase. The custodian is the South Texas National Bank of Houston, one of Texas' oldest and best respected financial institutions.

The original capital of $150,000 for the initial portfolio was provided by the same group of Texas businessmen who founded Texas Fund and who now, with the counsel of an experienced securities analyst, comprise its management. First public offering was made October 4th, 1949, with Blue Sky qualification only in Texas, and an opening quotation of $10.25 bid—11.05 asked.

Investors' response was prompt and enthusiastic—just 3½ months later, on January 19, 1950, Texas Fund passed the million dollar mark in size, and as this is written, in early February, the Fund's total asset value is approximately $1,300,000, and the quotation is roughly $11.02 bid—11.91 asked. It has now been qualified in New York, Massachusetts, California, Maryland and Louisiana and will shortly be qualified in a number of other states.

The present portfolio includes about 50 stocks—electric utilities, oil and gas producers, gas transmissions and distributors, chemicals, banks and insurance, selected manufacturing companies—every one of them a lively, vigorous, growing enterprise — each one a company either domiciled here in the Southwest or conducting a major operation in this section of the country.

Freely admitting a considerable degree of bias, I contend that Texas Fund has a full measure of all the ingredients needed to make up a most appealing and highly desirable investment security, both for the investor and for the dealer. It presents a carefully selected and well chaperoned spread of what its management believes to be the outstanding stocks in the most promising industries of the most exciting area of the United States — an area which has already demonstrated its ability to resist depressions and to ride high on booms—all wrapped up in one convenient "right-priced" package.

To my way of thinking, for the investor who wants sound quality, reasonable return (should be 4-4½% this year), assured growth and protection for the buying power of his dollars, that should prove an all-but irresistible combination.

By CLARENCE E. UNTERBERG

Senior Partner, C. E. Unterberg & Co., New York City

The security that I like best at the moment is the Central States Electric Corporation 7% preferred stock currently selling at 155. I believe this is truly a "special" situation in that the asset value behind this security is approximately $220 a share and there are forces at work which should permit realization of the asset value within the next twelve months.

C. E. Unterberg

Central States Electric Corporation is in bankruptcy and the Trustees' Plan of Reorganization, which has recently been recommended by the SEC, calls for the organization of an open-end investment trust, the shares of which will be given to the holders of the 5% and 5½% debentures and the 7% preferred. The junior preferreds will participate should the asset value of the estate at the time of consummation be sufficient to cover the bonds and the first preferred.

As of February 3, 1950 the assets of Central States Electric Corporation, taking its subsidiaries, American Cities Power & Light and Blue Ridge, at their liquidating value, were equal to $37,400,000. The claim of the Central States debentures is approximately $20,400,000, leaving about $17,000,000 for reorganization expenses, bond premium and the junior securities. Under the Plan, the bonds are to receive a 5% premium, which approximates a million dollars; reorganization expenses may come to another million dollars, leaving fifteen million dollars for the 68,800 shares of 7% preferred, or about $220 a share. The claim of the 7% preferred at par and arrears as of now is $228 a share. Thus, if there is no change in the value of the underlying assets, on the consummation of the Plan of Reorganization, Central States 7% preferred should receive securities in an open-end investment trust which should be worth about 40% higher than the present market price of the preferred.

While the $37,400,000 of assets of Central States Electric Corporation are subject to the vicissitudes of the market, nevertheless, I think that the risk is more than offset by the discount at which the preferred is selling and by the nature of the assets. A substantial portion of the assets in the subsidiaries are in cash and the shares of North American, United Light & Railways, and various utility operating companies. By and large, such shares in our opinion are reasonably priced and do not reflect boom valuations.

In addition, the Trustees are prosecuting a substantial lawsuit against former officers and directors which may result in some recovery. Any recoveries on this lawsuit will go toward satisfying the full claim of the 7% preferred and any excess will accrue to the benefit of the junior preferreds.

On February 1st and 2nd hearings on the Plan were held in the Federal Court at Richmond, Va., and the Judge took the matter under advisement. It is our expectation that the Plan will be approved by the Court but that the junior preferreds and common stock will appeal. We think the case will run the gamut of the courts during 1950.

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Amending the Securities Laws—The Frear Bill

be voted on, and without an opportunity to vote for or against. Meetings are often held at remote places and at inconvenient times. Proxies are often not proxies at all, but powers of attorney giving full discretion to the insiders. A management living behind a veil of secrecy can perpetuate itself and ratify its own acts with such proxies in its hands. We have a record of one case where the proxy was printed on the back of the dividend check so that every endorsed check became a free-wheeling proxy with which the management could perpetuate and ratify itself.

The security holder who has financed the enterprise by turning his money over to the stewardship of others deserves better treatment than this. If the Frear Bill is enacted, substantial companies will have to obey minimum standards in permitting a fair exercise of the stockholders' franchise. It will eliminate the effect of the present situation where certain managements' unchecked control of the proxy machinery enables them at will to disenfranchise their public security holders while other managements obey the rules laid down in the law.

Transactions by Directors in Own Stock

The Frear Bill would not prevent the buying and selling of their companies' stock by officers, directors and large stockholders. It would require the filing of information about such buying and selling. To anyone who knows the facts of corporate life the merits of this requirement are obvious. With its access to inside information, management is in a key position to foresee market movements in the company's stocks. They are in a position to anticipate these movements and to trade against them. Every purchase by a director is from one of his company's investors. Every sale makes the buyer one of his company's investors. These investors have the right to know what the insiders are doing and to appraise for themselves the significance of insider trading.

Without that information investors are vulnerable to having insiders bail out wholesale while the small holder is left holding the big bag; they are vulnerable to having insiders buy in when good news in the offing still has not broken. The least the investor is entitled to know is what the insiders are doing.

One of the most controversial aspects of the Frear Bill is that it extends generally the provision of the Securities Exchange Act which permits the corporation to recover profits made by insiders in short-term trading. The stated purpose of the law is to prevent abuse of inside information. But the law doesn't require any proof that inside information was used to get a profit out of purchase and sale or sale and purchase within six months. The profit is automatically recoverable unless the S. E. C. has by rule exempted the particular type of transaction.

Exemptions

The Commission has exempted certain classes of insider trading as not contemplated by this provision. We have drafted these rules to cover difficult cases as we have met them. Let me give you an example. A very large company has a bonus plan according to which an independent committee of the board of directors (none of whose members participate in the plan) decides each year what amount of the company's stock will be given to deserving members of management. The history of the plan shows that it has been approved by stockholders, is a moderate one, and has been reasonably applied. Since the acquisition of securities under the plan is in consideration of services rendered, the securities have—legally, been "bought." Now under the plan these securities are "bought" by the participants once each year. Thus any sale by a member of management must take place within six months of a purchase (either the last bonus or the one to come) and therefore the participant would be locked in and couldn't sell at a profit without having to return that profit to the corporation.

It seemed clear to us that the law wasn't intended to apply to that situation, and we adopted a rule to exempt it. However, new cases arise all the time and present new problems. We hope to be able to keep up with them and to keep the law from working undue and unnecessary hardship.

That is a promise I can make without reservation. We don't know all the answers and we haven't seen all the problems that will arise under the Frear Bill. Even when passed, the Bill would not come into operation for six months. We hope to have much of the field cleared in that period. Thereafter, the problems can be dealt with as they arise. The Bill gives the Commission ample power to exempt companies and persons from its provisions whenever we think it consistent with the public interest.

On J. M. Barbour Staff

(Special to THE FINANCIAL CHRONICLE)

PASADENA, CAL.—William M. Goldsberry has been added to the staff of John M. Barbour & Co., Citizens Bank Bldg.

With Goodbody & Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—Clarence E. Smith is with Goodbody & Co., 50 State Street. In the past he was with Smith, Barney & Co. and G. M.-P. Murphy & Co.

J. O. Kroeze Co. Opens

JACKSON, MISS.—J. O. Kroeze has formed J. O. Kroeze & Co. with offices at 4051 Redwing Street, to engage in the securities business. Mr. Kroeze was formerly with Scharff & Jones.

With H. M. Byllesby Co.

(Special to THE FINANCIAL CHRONICLE)

OMAHA, NEB.—John J. Bohrer has become affiliated with H. M. Byllesby & Co., First National Bank Building. He was formerly with Harris, Upham & Co.

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What to Do About Federal Government Spending

this much should be obvious: Complacency will never stop socialism.

The 1948 election proved one thing for certain—if the American people want socialism, they can have it by staying away from the polls.

But if the American people cherish their liberty and love their country, as I am convinced they do, there is one way they can stop socialism in its tracks—they can stop it by the greatest out-pouring of voters next November that this country has ever seen. They can stop it, as our Founding Fathers intended such alien philosophies should be stopped, by registering and voting their will.

At this moment in Washington, there are bills in Congress that paint a dire picture of the future for America if this administration stays in power. There are proposals in legislative form to socialize agriculture, to socialize medicine, to socialize credit, and to socialize the natural resources. These proposals have one thing in common—they require huge outlays of money and the most rigid controls.

It has been estimated that if the administration's entire program, as outlined in the President's State of the Union Message, were to be enacted tomorrow, the cost of government would double. At the present moment, the American people are paying almost twenty-seven percent of all they earn simply to support government, Federal, State and Local. If the Administration's program went into effect, government would soon be taking almost fifty percent of what the people earn.

Let the man on the tractor, the worker at the lathe, the bookkeeper at his ledgers, the businessman in his store or factory, and the housewife in her home, ask themselves this question: If half of their income were taken away from them, could they support themselves?

The answer in almost every case would be no.

Yet this is the prospect we face, and the President makes no mystery of it. In his first three messages to Congress this year, he made it plain that taxes must go ever upward, and he asked for a billion dollars more in revenue this year as a down-payment on future increases.

Yes, the prospects have been made abundantly clear. The President in his messages used such words as "foolhardy," "foolish," and "unwise" in discussing possible cuts in the cost of government and reductions in taxation. The President drew a picture of the future extending to the year 2000, and, in all the words employed to describe that vision, he could not find room in a single place to mention reduced cost of government or relief from the tax burden. I think he has greatly underestimated the American people's patience. They are in no mood, if I am any judge, to wait fifty years for another tax cut.

There is a great awakening occurring in America. The people are discovering at last that whether they pay a Federal income tax or a state income tax or pay neither, they are still paying plenty of taxes in hidden levies.

This awakening is one of the greatest things that has happened to the American people since the Boston Tea Party. They are on the march. They are beginning to ask merchants and businessmen about the taxes that are passed on to them, the consumers. They are beginning to look at their phone bills, at their railroad tickets, and their theater admissions, with a practiced eye for the tax bite.

Consumer Is Great American Taxpayer

It is beginning to occur to people that the consumer in the long run is the Great American Taxpayer. They are discovering that duties, excises, and corporate levies are being passed on to them to pay in full. They are startled to find that practically everybody can pass on some or all of their taxes except the last purchaser, and that means it is Mr. and Mrs. Consumer who get stuck—everyone of them.

It is no longer a mystery that if the government imposes more taxes at any level, it is the consumer who eventually pays. In short, it is at last dawning on the American people that *high cost of government means high cost of living.*

Let's take a look at some of these taxes, hidden and otherwise.

If you buy a new car in the $2,000 price category, you pay approximately $511 in taxes. Why, only a few years ago, you could buy an automobile for a few hundred dollars more than the tax itself today. Every time you buy gasoline, every time you buy a quart of oil, every time you buy a tire, you are paying Federal taxes, which, together with state and local taxes, add another $81 a year just for the privilege of operating your automobile.

I repeat: *High cost of government means high cost of living.*

Did you buy a refrigerator after the war for, say, $200? You paid a Federal tax of $20 on that refrigerator. When you paid your $6 phone bill the other day, $1 of it went to the Federal tax collector. If you got a new handbag for your wife, one-fifth of the price went to the Federal tax collector. If she bought a box of face powder, one-fifth of the price went to the Federal tax collector. If you recently took a rail, plane or bus trip, one-seventh of the fare went to the Federal tax collector. If you attended the theater, and bought a $3 ticket, 60 cents went to the Federal tax collector.

Do you have a baby in the family? Well, for every dollar's worth or baby oil or baby powder you have bought, 20 cents went to the Federal tax collector.

I repeat: *High cost of government means high cost of living.*

Now, someone may say that things aren't so bad—at least food isn't taxed. Let's take a look at that proposition. There is a national organization devoted to studying taxes, known as the Tax Foundation. It recently made a study of a loaf of bread baked and sold in Indianapolis by a commercial bakery. The Foundation study showed that by the time the single loaf of bread had been bought by the housewife, it bore 151 hidden taxes. Now, who paid those 151 hidden taxes on that single loaf of bread? You know the answer—the housewife.

Let's not fool ourselves. In the final analysis, it's not the farmer, it's not labor, it's not the businessman who is to blame for the high cost of living—the blame rests squarely on reckless Federal spending and exorbitant taxation.

Yes, *high cost of government means high cost of living,* and it means a lot of other things, too. It means that you have little hope of affording many things you want as long as the present administration is in power.

I pointed out earlier that a $2,000 automobile bore $511 in taxes. A lot of folks have been wondering when we are going to have low-cost automobiles again. Mr. James D. Mooney, who recently retired as President of Willys Overland, and who knows as much as anybody in America about building a low-cost automobile, has said, "The present tax rates make it impossible to get back to a real $1,000 car—a car that just is not a motor scooter."

A low-cost automobile would mean jobs for a lot of people who would be needed to make the cars. A low-cost automobile would mean cars for a lot of people who do not have an automobile. It should be clear to anyone that high cost of government means not only high cost of living, but it means we do without a lot of things we want and a lot of production that would mean jobs.

Repeal Wartime Excises

Exactly one year ago today I introduced a bill in Congress to repeal the wartime excise taxes. So while you and your organization are celebrating your 61st anniversary, tonight, my bill and I are celebrating our first. But I must say that you are doing better than my bill. Mr. Truman doesn't like it. He is looking for tax increases, not tax decreases.

My one-year-old bill, which is a pretty popular baby in Congress, has been bottled up in the House Ways and Means Committee by the Administration for 12 long months. From the present temper of the Congress, I would not be a bit surprised if we took it out of the bottle within a few weeks. President Truman has at last grudingly admitted that perhaps there should be "reductions" in excise taxes, but he says that he will veto any bill containing such reductions unless it is accompanied by companion increases amounting to an additional billion dollars.

The probability is that he will get to exercise his veto, because most members of Congress know what the American people are thinking, even if the Administration doesn't. The members of Congress know that excise taxes were enacted during the war to discourage sales of goods made out of materials needed in the war, and they know that those same excise taxes are still discouraging sales today and costing people jobs. They also know that this country cannot stand another billion dollar tax increase. They know that if these excise taxes were repealed, the general stimulating effect on business and jobs would more than make up the relatively small amount of revenue these levies now bring. So Congress is not likely to vote a tax increase this year.

But Congress cannot stem the tide forever, nor can Congress stem it if the American people do not express themselves in one great voice at the polls next November. We are at the midpoint of the century in this year of 1950. We are also at the mid-point in a crisis threatening our form of government. Given one small shove in a forward direction and socialism will be upon us, with the Brannan plan, the compulsory health plan, the regional planning authorities, and all the trimmings, including bigger and bigger taxes for everybody.

The issue has been clearly cast. The American people, having watched the British debacle under socialism, know what is in store for them if we continue down the dead-end road the Administration has chosen.

I have always contended that if the American citizen is given a clean-cut choice, he will make a clean-cut decision. His self-reliance is known around the world. His fear of big government is the product of 175 years of freedom and individual dignity. I am convinced that in this crusade to save America, that there are untold millions ready to join the fight. We cannot and must not fail them.

Continued from page 4

Sales Program of the Railway Express Agency

translation of that information into effective sales stimuli, and unless that is translated so that the individual employe can make intelligent application of it, then the information is not going to be helpful.

Three: Tools and methods, the physical needs and techniques which are used to sell your product or mine.

Now, when the employes have been given the right information, the education, and the tools and methods, they must be taught how to use them effectively and therefore our two objectives are:

One: A direct training program for the salesmen; and

Two: An internal program for all of the employes.

These two objectives are basic. They are the two elements that we in Railway Express are developing to the fullest possible extent. As Mr. Sutton mentioned to you—and I am going to take the liberty so long as he mentioned it of referring to his comments—we started last September to reorganize our sales organization.

Prior to that time we had these men under the direction of local operating people at various places throughout the country. We in the Sales Department directed that selling activity more or less by remote control. In other words, we gave them all the ammunition and we tried to get the line to fire it.

On September first last, that was changed and as of that date, we organized and re-organized a sales organization with direction from the sales heads here in New York City, so that we had direction of every sales activity both with respect to the sales personnel and the employe personnel, integrating the two, and in four months' time, because of that direction, because of that training and that planning, we have increased our productivity in the sales personnel alone, the sales organization itself, 118 per cent.

Incentive Plans—Quotas—Motives

Now, we believe in this. We believe in the incentive plans. We believe in quotas. We believe in motives. We believe in having something that is worth reaching for, something worth accomplishing. Unless we have an objective, I think, a lot of the enthusiasm in selling is lost, and we have been setting those objectives through these various incentive plans and the various quotas.

We had a quota for January and for February and March. We have this program, as I indicated to you, "Make it your business to ask for their business." Now, think of the momentum, if we can get 50,000 people, 50,000 employes to take this up, to jackety-yackyack about the advantages of the Railway Express, about their company, about what they can do in handling their traffic throughout these United States. And then have men like you and me who are especially-trained and devoting their time and energy and thoughts exclusively to direct selling—think what a team like that can do.

And that is the way in which we have increased the productivity, through that direction, through that planning, and through that training.

Now, we have a film here—Selling Aids—that I thought you men would be interested in seeing and then I would like to talk about direct selling with you. This film will present to you in a package the selling aids that are used by this sales organization in building greater public acceptance of the service. It was made and displayed at one of our national sales meetings and will be demonstrated at this point.

Gentlemen, the purpose of showing that film is to give you some idea of the sales material that is used in our sales training. What we have attempted to do, and I think that is very helpful in productive selling, is not only to give our people the basic material but to show them how a practical application can be made of that material.

Preparation is one of the most important steps in selling. Unless we prepare ourselves, unless we have knowledge, unless we know how we are going to be able to be of service or be helpful to a prospective customer, then we have very little to say, and in my humble opinion we are not ready for the contact and the approach.

So that is why the material, this basic material, is given to the salesman so that he can prepare himself, first by analyzation of what his services or what his product would do for the prospective customer.

We have a sales control plan on which is reported every contact, or the result, rather, of every contact that a salesman makes. He shows exactly what was accomplished through that contact.

Now, before he makes the approach to the customer, he analyzes the distribution needs and he knows enough about that customer's business to find at least one helpful service within his package for that customer's business.

If he does that, then he is ready for his approach and he can make his presentation on that helpful service, and then go beyond that helpful service by analyzing the rest of the customer's distribution needs, thereby evaluating his services with those needs.

We give them this help and we carry on these training programs so that they will understand how to keep those tools sharpened and how to use them productively.

I would like to show you just one more film, a short one, about a salesman's contact, and this will give you some idea as to the way these sales aids are put into actual use. This film "Making A Sales Interview" takes only about seven minutes and is an illustration of direct selling by the use and application of the principles of selling. That man was prepared before he made his approach, before he made his contact. He was prepared and he knew enough about that man's business so that he could tell him how his services could be helpful.

So preparation is a very, very important step in productive selling.

Joins Paine, Webber

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—John T. Hemenway has become associated with Paine, Webber, Jackson & Curtis, 24 Federal Street, members of the New York and Boston Stock Exchanges.

S. R. Melvin Co. Retires

Sydney R. Melven, sole proprietor of S. R. Melven & Co., 125 Cedar Street, New York City, announces his retirement from business Feb. 15, 1950.

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Why the Frear Bill Should Be Defeated!

case in the State of Ohio, where the statutes explicitly provide that every shareholder is entitled to receive annual reports and that all books of account and other records of operations are open to shareholders at all reasonable times, save and except for unreasonable and improper purposes.

Senator Frear: How many other states have similar laws, to your knowledge?

Mr. Boles: Senator, there are 37 such states, and where there is not a state law, of course, the common law, and as I understand it that has been upheld by the courts many times, to the effect that a shareholder may examine the books and records of his company.

Senator Frear: Suppose that you have a company issuing stock in the State of Ohio and you have the stockholders living in California or Oregon or other places? That means that they would have to come to Ohio and get the books if they wanted to get the information?

Mr. Bowles: That is correct, Senator, but I don't believe that would be much closer than coming to Washington—or much farther, I mean.

Senator Frear: Isn't it the intention that the bill will have the corporations supply this information to the stockholders, wherever they may live? This information is going to be sent to the stockholders wherever they may live, and the stockholder doesn't have to come in and examine the books of the corporation?

Mr. Bowles: No, Senator; I don't believe that that is the bill. I believe the bill is the filing of the information in Washington with the SEC.

Senator Frear: How about the proxy and the insider trading information?

Mr. Boles: You are quite correct that if proxies are sent out of course they go to shareholders, but in small corporations that I am talking of it would by my opinion that very few of them would use proxies if they could avoid it.

It is an expensive, pretty long-drawn-out process.

Senator Frear: You wouldn't deny the right to the shareholder or security holder of those privileges?

Mr. Boles: Oh, certainly, I would not deny them, Senator. I think they already have them.

Senator Frear: Do they use proxies now?

Mr. Boles: Yes; they solicit proxies. Many of them do.

Senator Frear: What would be your feeling about the necessity of giving the shareholders the advantage of the proxies? Do you think the proxies should be given to all of the shareholders and security holders?

Mr. Boles: Senator, I rather think that that depends somewhat upon the size of the company. Where a company is serving a limited area and possibly the shareholders are near the company, I have great doubt that there is any necessity for that.

Senator Frear: I should have made myself somewhat more clear. I was inferring that they had 300 shareholders or over and $3 million in assets.

Mr. Boles: Our position is that 300 shareholders is a very limited number and they may well be within the area of small companies. We are talking here purely, Senator, regarding small companies.

Senator Frear: Well, of course, we want to get the benefit of your thinking and opinion also.

Mr. Boles: Thank you, sir.

In the brief time we had to assemble facts for this statement, we found that similar rights of inspection of books and records are specifically granted by many states, including Alabama—

Senator Maybank: You mention about ten states, including South Carolina?

Mr. Boles: Yes.

Senator Maybank: But you said there were 37.

Mr. Boles: We hadn't time to examine them all. I am now advised there are 37 states.

Senator Maybank: Would you furnish the other states for the record?

Mr. Boles: We will be glad to.

Senator Maybank: As to North Carolina, do you know if they have them? It seems to me North Carolina had a law something like ours.

Mr. Boles: I will read off the ones that I have here that have them, Senator: Alabama, Arizona, Arkansas, California, Colorado, Connecticut, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Nebraska, New Hampshire, New Jersey, New York, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Washington, West Virginia and Wisconsin.

Senator Maybank: You say that the common law could be applied in the other states?

Mr. Boles: You mean the states where they do not have specific statutes?

Senator Maybank: Yes.

Mr. Boles: Yes; that is correct.

Senator Maybank: In your statement farther on you go into the intra-state matter?

Mr. Boles: Yes.

Senator Maybank: You don't say you recommend those as amendments, but call attention to the fact that that is in the present law?

Mr. Boles: We do definitely recommend it in this statement.

Senator Frear: You may proceed.

Mr. Boles: Thank you, sir.

You don't care to continue this list? I have given them all, Senator. Is that satisfactory; to go ahead from here?

Senator Frear: Yes.

Mr. Boles: We have also been advised that the statutory provisions relating to the right of inspection have been generally construed by the courts in substantial harmony with the purpose of these provisions; that is, to enlarge and expand the common law right of shareholder inspection.

In addition to the rights of shareholders to inspect corporate records, as provided by common law and the statutes of the several states, the statutes and constitutions of some states provide for inspection by other interested persons, including creditors. Furthermore, as we all know in cases where corporations issue debt securities to the public, the indentures under which such securities are issued ordinarily create a contract right of inspection of books and records by the holders of debt securities or by their representatives, the trustee under the indenture, which is usually a bank or trust company.

Because this bill would not create any new rights or privileges for and on behalf of shareholders, we believe there is no necessity for its enactment. It is our position that the pending bill, if adopted, will operate substantially to increase the powers and jurisdiction of the SEC, but it will accomplish nothing to benefit the shareholders who are the real owners of corporations and who already are provided with adequate means of obtaining information concerning their companies.

In further considering the necessity for this legislation we must answer this question—what will the filing of voluminous and costly financial reports with the SEC accomplish from the point of view of shareholders and other security holders of their corporations?

As desirable as detailed information may seem in the abstract, when it comes to practical application so far as shareholders are concerned, it has limited usage. It is even probable that such detailed information is so involved and lengthy as to confuse rather than clarify the situation for the average shareholder.

In fact, many who are familiar with what the SEC now requires to be presented to prospective investors in the prospectus required under the Securities Act of 1933, believe that such information is so voluminous and intricate that most investors do not even attempt to read it or assimilate it.

The very volume and intricacy of such information defeats its purpose: the informing of investors.

We regret to report from our experience with investors that this criticism rests on solid ground.

Senator Frear: I admit perhaps that the individual shareholder or security holder of a corporation that would come under this proposed act, may not be able to digest voluminous financial statements sent out by the company, but in many instances, and I expect most instances, an investor will go to some person for information and analysis of these things.

Would you claim that those investment agencies do not have the ability to analyze these reports?

Mr. Boles: Senator, I certainly would not claim that they didn't have that ability. I think they do have the ability.

I think here we have a question, however, of whether they have any right to that information in small companies. I will touch on that a little later, if I may.

Senator Frear: All right, sir.

Mr. Boles: What is needed is not more information, but a greater simplification of the information that is presented to the shareholders. Shareholders generally will not read long, involved statements, nor will they try to figure out intricate balance sheets. The average shareholder is neither an accountant nor an attorney. He is not familiar with many technical terms and phrases common to such reports. For this reason it is now the aim of many progressive corporations to find ways and means of simplification of reports to shareholders. Indeed, many corporations are vying with each other to this end.

Senator Frear: Do you not think that many might be too simplified, that the proper information is not given to the shareholder?

Mr. Boles: It is entirely possible for oversimplification, Senator; that is correct.

I would like to call attention, however, as a sort of background for the sort of information that is being put out by small companies today where there is no law requiring that they be put out.

Senator Frear: Maybe you might at this point give us your definition of a small company.

Mr. Boles: Senator, that is sort of a $64 question.

Senator Frear: I don't know how we are going to analyze your statement unless you tell us what a small company is. You have been talking about it.

Mr. Boles: My opinion, Senator, is that a small company certainly could be defined as any company under $10 million in assets and under 1,000 shareholders.

Senator Frear: Are you familiar with 12(g)3; section 12(g)3 of the Act?

Mr. Bowles: Somewhat.

Senator Frear: Does that conform with your opinion for exemption purposes?

Mr. Boles: I haven't particularly addressed my attention to that part of the bill, Senator, nor have I had any statement to make regarding it. I think the section to which you are referring has to do with unlisted trading privileges; is that not correct?

Senator Frear: Yes. That is 12(f)3, I believe.

Mr. Boles: Yes.

Senator Maybank: He goes into a discussion of that 300 and $3 million at some length further on.

Senator Frear: The witness?

Senator Maybank: Yes.

Senator Frear: You may proceed, then.

Mr. Boles: Senator, in presenting this information, I wonder if I might depart from my prepared statement?

Here is a company that I certainly would consider a small company. I would like to read from this before I hand it to you.

Senator Frear: You may.

Mr. Boles: I would like to read the concluding paragraph of the report. I think when you examine this, I believe that if you were a shareholder you would be pretty well satisfied if your company sent you this kind of a detailed report, with eye appeal and ear appeal, and so on, for your reading.

This is what the President says in his concluding remarks, and I believe you would find this pretty generally the attitude of small corporations. This company is the Ettna Standard Engineering Company, and is an Ohio company.

Senator Maybank: Where would the stockholders be?

Mr. Boles: I don't know where they would be, Senator.

Senator Maybank: What would be your guess?

Mr. Boles: I have not looked it up. They seem to have some plants in Pennsylvania. So I would judge that most of the stock was held in Ohio and Pennsylvania. That is just a guess, but I would think so, because it is a very small company.

Senator Maybank: How much is it?

Mr. Boles: I think about a $5 million corporation:

"We have a good company, a good business, and a faithful, fine organization, who like to be left alone, and be free of unnecessary governmental interference, so that they each may do a job and have security and happiness for themselves and their families."

Senator Maybank: In justice to that statement, I think most companies would, most presidents would say that.

Mr. Boles: Here are other "eye-appeal" companies, and you could get lots of them. It is the great trend today, in those companies.

Efforts at Voluntary Publicity

Furthermore, of recent years, progressive corporations have increased their efforts to make it easy for shareholders to know their company and its management better. Not only is there a greater simplification of reports, but attempts are made to give the reports eye interest and reader appeal.

Of equal importance is the fact that many corporations are holding their year-end meetings in such places as are within easy access of shareholders, and they are urging shareholders to attend such meetings.

Certainly, the average shareholder could obtain, in an hour or so spent at such meetings, a much better idea of the management and direction of his company than he could ever attain by reading what an accountant and a lawyer would consider a well detailed report of his company. After all, there is no ingredient in a corporation more important than capable, honest, aggressive management. It is very difficult if not impossible for a shareholder to size up management on the basis of a proxy report or a year-end statement.

Good management can change a poor statement into a good one and a poor company into a prosperous one. Likewise, poor management can convert the most beautiful financial statement into a shambles of debt and ruin in a comparatively short time. The emphasis should be placed on education of shareholders to know their company and its management better. This is now the trend in the case of many companies.

We will not obtain education with legislation prescribing the filing of voluminous, costly and intricate reports in Washington. Such reports will add nothing to the information already available to the shareholder and certainly will have no sex appeal for the average investor.

In addition to the above-stated reasons why no necessity exists for this legislation from the point of view of investors, we wish to show how the bill, if enacted, will impose serious financial burdens upon small industries and endanger their existence.

Small businesses would be required to file registration statements with the SEC and to file annual, quarterly and supplemental financial reports. The preparation of these reports would not only tax the regular facilities available to these companies but would impose the added expense of retaining the services of additional accounting and legal experts to interpret and carry out the applicable SEC requirements.

In addition, if proxies are to be solicited for quorum or other purposes, it would be necessary to comply with the proxy rules which again would require the aid of high-priced experts.

The cost of these additional services, together with the printing expense involved, we estimate would approximate $10,000 to $15,000 per year for even the smallest of the industries affected.

Senator Frear: Do you consider a company with $3 million in assets and 300 shareholders a small business or not?

Mr. Boles: Yes; a very small business.

Senator Frear: That is a small business?

Mr. Boles: Yes.

Senator Frear: Would you say that a company of $3 million in assets and 300 or over in shareholders would have the accounting of their books done by some accounting agency? That is, probably certainly have a C.P.A. to audit their books?

Mr. Boles: I would say a large percentage do not, sir. I think you will find that is correct.

Senator Frear: That really amazes me, I must admit.

Continued on page 34

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Watch and wait policy suggested. If market slides off a few more points, buying recommendations can be expected.

MIAMI BEACH, FLA. — The market is still standing aside, although here and there a stock or a group of stocks seemingly acts independently. The major talk in the boardrooms here is the Taft-Hartley Act and its application by the President in the coal strike. Naturally, there is a divergence of opinion as to its probable impact.

* * *

I've just been called in from the beach and, where before the market was doing nothing, it is now skedaddling downward. The common question around me now is: "What's the matter? Why're they going down?"

* * *

Just before I left New York for Florida I wrote that the signs, at least those I could see, pointed to lower prices. Here and there the action of certain stocks belied the signs. Just the same, they didn't look as good as common opinion believed. Whether the current reaction is based on the coal situation or something else is purely an academic question. The professional trader is concerned with profits, whether on the long or short side. The situation calls for a cold-blooded appraisal of market action, rather than the sentimental approach or the chest-beating popular newspaper interpretation that most people seem to give the news.

* * *

As of last week you were long of two stocks, Cooper-Bessemer and Mead Corp., both with stops. Neither of these are sacrosanct. They're as good as the market or as bad, depending on where you sit. If they break their stop prices they should be disposed of. That's the reason stops were given in the first place.

* * *

I expect to be back at my New York desk to write the next column. In the meantime, a policy of watching and waiting is suggested. It is quite likely that we will reenter the market on the long side should the market go off a few more points.

More next Thursday.

—Walter Whyte.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Fred R. Tuerk With William R. Staats

Fred R. Tuerk

CHICAGO, ILL. — Fred R. Tuerk has become associated with William R. Staats Co. as Chicago representative. Mr. Tuerk will have his offices at 333 North Michigan Avenue. He was formerly a partner in Cruttenden & Co.

Five Join Standard Inv.

(Special to THE FINANCIAL CHRONICLE)

PASADENA, CALIF. — Robert B. Cunningham, Harry S. Hays, John A. MacFarlane, Harry L. Hall, Jr., and Clyde A. Westland have become associated with Standard Investment Co. of California, 117 East Colorado Street. Mr. Cunningham was formerly with G. Brashears & Co. The others were previously with King Merritt & Co.

J. Barth & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF. — William H. Pabst, Jr., has been added to the staff of J. Barth & Co., 482 California Street, members of the New York and San Francisco Stock Exchanges.

With Frank Knowlton

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, CALIF.—James W. Palmer is now with Frank Knowlton & Co., Bank of America Building.

Continued from page 33

Why the Frear Bill Should Be Defeated!

Mr. Boles: I think, Senator, that a $3 million corporation—$3 millian sounds like a lot of money, but it is not very much money in a corporation today.

Senator Frear: You honestly believe that a corporation of $3 million in assets does not have some auditor to go over its books?

Mr. Boles: I certainly think there are many of them, Senator.

Senator Frear: Don't you think the shareholders, if they have 300 shareholders or over, are entitled to know—

Mr. Boles: We are getting back to that question of shareholders and security holders, Senator.

Senator Frear: Security holders.

Mr. Boles: I think we have to determine this: there indirect and direct security holders, according to this bill. Indirectly, a company can have 300 security holders and have sold their debt securities to a bank or insurance company or institution who has 300 shareholders or more.

Senator Maybank: How would you recommend changing that?

Mr. Boles: Senator, I think that we are getting down too much to small companies, because the underlying purpose—

Senator Maybank: I understood you to say that a small company was $10 million, and a thousand shareholders?

Mr. Boles: Yes; that would be my idea of a small business.

Senator Maybank: I noticed the statement you made about putting these up with banks and insurance companies.

Mr. Boles: I see I startled you, Senator, but I believe that you will find out that that might easily be true of many, many companies of that size.

Senator Frear: Don't you think they should then have them?

Mr. Boles: Many companies have as their treasurer, Senator, a man who has been employed by certified public accountants and they feel free in relying upon that man that they have, a man who understands accounting.

Senator Frear: If a man can understand the accounts of a business with $3 million in assets, do you not think that he could understand and file the forms required by SEC?

Mr. Boles: No, sir; I think he could not. I think he would find himself in grave difficulty many times.

Senator Frear: Then your opinion of the ability of the certified public accountant must be a little different than mine.

Mr. Boles: I am not talking about this man being a certified public accountant.

Senator Frear: You admitted he must have the ability of one.

Mr. Boles: Pardon?

Senator Frear: I assumed you admitted he must have that ability.

Mr. Boles: Most are not CPA's, but many have worked for CPA firms. They have done the work. But they haven't been the people who gave the certification.

Senator Frear: But the management of a corporation with $3 million in assets must depend upon this man whom they have hired that has some knowledge of CPA accounting.

Mr. Boles: My point is that they would almost have to call in an accounting firm if they weren't presently using one.

Senator Frear: Do these small companies, as you call them, of $10 million, between $3 million and $10 million in assets—do they file their own Federal income tax reports? Does this gentleman of whom you are speaking, and who might have some CPA experience?

Mr. Boles: In many cases; yes.

Senator Frear: That must be done in proper form?

Mr. Boles: Yes.

Senator Frear: But that same gentleman who does that cannot file the form for SEC?

Mr. Boles: There is this difference, Senator: When you are paying taxes you have a vital interest in the affairs of the corporation, to be sure that you don't overpay or underpay. It is a very close financial matter and of great import to the company. He puts time and study on it. That is very vital to the company.

This other report, Senator, in my opinion, is just filing what the shareholders can already get. We are asking him to file intricate forms, and they are intricate, in order to supply something that the shareholders can already get of their own volition.

Senator Frear: I take it from that that you do say that the management of a corporation is interested in its business to the point of filing the proper return with the Internal Revenue Department?

Mr. Boles: I think he is very interested in that, Senator.

Senator Frear: Don't you think that the management, and this gentleman included, also, is interested that the shareholders and securityholders should obtain the information that would be vital to them or in which they may be interested?

Mr. Boles: Yes, I think he wants to see that they get information that they want. I think most of them are very interested that they should get information that the shareholder wants because they are part-owners of the business along with him.

Senator Maybank: You would have no objection to this law then being $10 million and 1,000 stockholders? The yardstick that you think should be used is $10 million and 1,000 as against $3 million and 300?

Mr. Boles: I think the yardstick is the trading activity in that particular stock; the volume, the amount, and so on. I object to that particular yardstick.

Senator Maybank: How could you find that out?

Mr. Boles: That requires a good deal of study, Senator, but I think it is nothing that is too difficult to obtain.

I have no more reason for taking an arbitrary yardstick of $10 million —

Senator Maybank: I understand. No more reason than we have for taking $3 million.

Mr. Boles: That is right.

Senator Maybank: The $3 million was recommended originally. In those days three would be six now.

Mr. Boles: That is right.

Senator Maybank: I think it was 1941.

Mr. Boles: '40 and '41, I believe. I am sorry to say that was introduced by our own industry, one section of it, Senator.

Senator Maybank: Are they satisfied with it?

Mr. Boles: Pardon?

Senator Maybank: You say you are sorry to say it was introduced by a section of your own industry. Are they not satisfied with it?

Mr. Boles: They were apparently satisfied with it. I think they hoped to ge additional business by it, Senator.

Senator Maybank: Did they get it?

Mr. Boles: The bill didn't pass at that time.

Senator Maybank: They did recommend the $3 million, a section of it?

Mr. Boles: They recommended $3 million and 300—I don't remember at this time whether it was shareholders or not, but as I will point out, this bill says security holders. It doesn't say shareholders.

Shall I continue?

Senator Frear: Proceed.

Small Companies Face Danger From Competitors

Mr. Boles: Of still more vital importance to small companies than the cost in money is the danger of competition. By that competition I mean unfair competition, or competition of a bad sort, that we would hate to see come in.

As you know, many small companies are operated in limited areas, frequently in competition with much larger companies having widespread operations and always on the lookout for opportunities to expand and acquire small prosperous competitors.

Under the bill the small companies will become fair game for any unprincipled giants because the small companies will be required to divulge to the general public, including all competitors, detailed information concerning sales, costs, working capital and the like. And small companies, all of the stock of which may be held by a single family or by a few shareholders, will not be spared this threat if such companies have debt securities outstanding and publicly held.

It is not an uncommon practice for larger companies to place more advertising and their most attractive merchandise in areas where keen competition with small companies exist. Also price cutting is not an uncommon practice in such competitive areas.

If a giant corporation knows that a small, aggressive competitor serving a limited area is at a given time weak in working capital or has high overhead costs and low margins of profit, then the large corporation is at great advantage in knowing just how much economic pressure his small competitor can stand. With all the information that would be available in the SEC public files, it would be a simple matter for the big competitor to direct its pressure so as to make him want to sell, or even put him out of business.

In summary of our point concerning the danger to small business created by the Act, it is only necessary to note that there is a substantial difference in giving information concerning a company to a bona fide shareholder thereof and the making of such information available in highly detailed form for friend and foe alike, thereby endangering the very shareholder we seek to benefit. Many states have recognized this danger by providing protection to corporations and their shareholders against supplying information for unreasonable and improper purposes.

We come now to a consideration of the second general category of specific suggestions for amendment of this Senate Bill 2408:

Defects of Frear Bill

If a necessity for some type of legislation is deemed to exist, what are the defects, if any, in the proposed legislation and how may the bill be improved?

In this connection, we have a number of comments for your consideration:

One: The SEC reports to Congress and the President's special message as reported in the Chi-

cago "Journal of Commerce" and on the Dow-Jones news wires, characterize the legislation as applying to all companies having $3 million in assets and more than 300 shareholders.

This characterization, we wish to call to your attention, is not entirely accurate for the proposed legislation refers to security holders, not shareholders; and therefore any company having debentures, bonds or other debt securities in the hands of 300 or more persons and only two or three shareholders would be subjected to the provisions of the Securities and Exchange Act.

In order, therefore, to conform the legislation to the general conception of its purpose, it would be necessary to make an appropriate amendment limiting its operation to those companies of which the shares representing equity ownership are widely distributed, and exclude those corporations whose shares are closely held, but which may have debt securities in the hands of 300 or more persons. As we have already noted, these holders of debt securities already are protected by contract and by the requirements of existing law.

Two: The bill specifically gives the power to the SEC to determine what is meant by $3 million in assets and 300 security holders. Thus, the bill creates a very real uncertainty as to the scope of its operation. With the SEC empowered to define without restriction, will assets be valued at book or cost, or by SEC appraisal?

Will security holders be interpreted to mean "persons holding directly or indirectly," so that a closely held corporation, with a loan from a bank or insurance company having 300 or more security holders, will be subjected to the jurisdiction of the SEC? These matters are left by Senate Bill 2408 exclusively to the uncontrolled discretion of the SEC.

At this point let us mention at least one danger which will be faced by many small companies which may have total assets of $3 million, but which may not be registered with the SEC because its securities are held by fewer than 300 persons. Assume if you will that a particular corporation has $300,000 of bonds or debentures outstanding, with all its equity stocks owned by a few people, a not uncommon situation. In such a case the bonds or debentures are ordinarily bearer securities, transferable without notice to the issuer; consequently, the corporation will never know when, if ever, it becomes subject to SEC jurisdiction. In this situation, presumably, the SEC would take the position that the issuer had engaged in public distribution, if not directly, then indirectly, through the issuance of bonds or debentures which if transferred could eventually come to rest in the hands of as many as 300 people.

We base this assertion of the SEC's position upon its statement at page 24 of the 1946 report to Congress to the effect that "an issuer which has 300 security holders has engaged in a public distribution—if not directly, then indirectly, through the issuance of a large number of transferrable shares."

Since the bill now under consideration provides for SEC jurisdiction if the securities, not shares, of a corporation are held by at least 300 people, corporations must either refrain from using bearer bonds and debentures in financing their capital needs or the corporation, to protect itself, must accede to SEC jurisdiction whether or not it comes within the purview of Senate Bill 2408.

It must be a cardinal principle well recognized by all that corporations which are to be subjected to the jurisdiction of a governmental body must have ready means available for determining whether or not they are subject to the particular legislation. This bill is objectionable in that it leaves to the discretion of the SEC the definition of terms which will in turn determine the companies to be encompassed by the legislation. In consequence, companies will never know whether or not they are subject to the provisions of the bill until the SEC has made its rules and interpretations.

Furthermore, as we have already noted, the free transfer of negotiable securities between holders without the knowledge of the corporate issuer, may overnight subject such companies to the jurisdiction of the SEC, and the corporation without notice of such transfers would become subject to the penalties imposed by the SEC requirements.

Uncertainty as to Concerns Affected

In short, if the companies to be affected are to be adequately protected, the bill must be definite and certain and so drawn as to leave no question as to the companies to be subjected to the jurisdiction of the SEC.

Senator Maybank: Do you have any definite language?

Mr. Boles: I have no idea of any definite language, Senator. I certainly would be glad to attempt to supply some.

Senator Maybank: Thank you; I wish you would.

Mr. Boles: Thank you, sir.

One thing that occurs, Senator, is this: that if the bill were immediately changed to "stockholders" instead of "security holders", it certainly would help, because stockholders are a matter of record, and a company could know who its stockholders or shareholders are. If they issue securities in bearer form they would have no way of knowing who their security holders are.

Senator Maybank: That is a good thought. I don't know if it would work. If you have any thoughts, I wish you would furnish them for the record.

Mr. Boles: We will be happy to do that, Senator.

It should be possible, based on the legislation itself, for any company with the help of its accountants and attorneys to determine—with certainty—whether or not it is subject to the provisions of the bill.

Unlike the provisions of the Securities Act of 1933, there is no intra-state exemption provided for companies whose securities are held principally by residents of the state of incorporation. The bill provides that any company substantially all the securities of which are held within a single state may be exempted by the SEC. In short, it is within the power and jurisdiction of the SEC to determine whether or not it will exempt such companies. The matter of exemption is permissive with the SEC and is not made available as of right as in the case of the Securities Act where a specific exemption is provided for the securities of a corporation distributed locally within the state of incorporation. Instead of leaving this important matter entirely to the discretion of the SEC, may we suggest a definite exemption of any company if a majority of its shares are held within a single state.

Four: The SEC will be empowered by the bill to specify and fix the form and content of the financial reports which must be made. The accounting methods and reports thus required may be entirely out of accord with managements' ideas of informative reports and with those now used by our Ohio and other companies. Furthermore, in many cases such accounting methods and reports required by the SEC will be in direct conflict with those prescribed by our state governmental agencies. For example, all telephone companies, gas utilities and electric utilities are required and soon all motor carriers will be required to keep accounts and make reports in conformity with uniform systems of accounts prescribed by the Public Utilities Commission of Ohio.

Other states must have similar requirements, and consequently this would mean for many companies the tremendous expense of keeping duplicate books, or it would mean the alternative penalties of violation of either federal or state law.

Accounting principles recognized and approved by state authorities, we believe, are adequate to protect all interested persons and the resulting financial statements may be more informative than statements prescribed by the SEC. We suggest that the matter of accounting should be left to our state authorities so that our small companies will not be subjected to dual and conflicting regulations.

In summary of our position, for the reasons we have stated, we believe that the pending bill will confer little or no advantage to shareholders since they are already entitled by law to all pertinent financial information concerning their corporations. As we have pointed out, the holders of securities other than shares of stock are protected by contracts requiring that financial information be made available for their examination.

The filing of costly and voluminous financial statements in Washington, therefore, will not create any more protection for shareholders who have access to financial information at the home office of their corporations. This will, however, make such information available for large competitors, to the injury of small local industry and the detriment of its shareholders.

Small industry, we submit, is the backbone of the nation and should be encouraged rather than discouraged and placed in grave peril.

Based on our interpretation of the bill and its impact on the small business of this country, it is our firm conclusion that the bill should not be reported to Congress. It is our further view that if some bill must be submitted for consideration, substantial amendments should be made along the lines of the suggestions made in this statement in order to protect the interests of the industries and shareholders affected.

Thank you, sir.

Senator Frear: Questions, Senator?

Senator Maybank: No, thank you.

Senator Frear: I have just one question:

On page 3 of your statement, do you have the code sections for the states which you quote here?

Mr. Boles: I would be glad to supply them to you, Senator.

Senator Frear: Thank you. We would appreciate it very much.

Mr. Boles: Thank you, sir.

With J. Arthur Warner

J. Arthur Warner & Co., Inc., 120 Broadway, New York City, announce that M. E. Wagner has joined the firm's sales department.

Sole Proprietorship

ST. LOUIS, MO.—George E. Gessler is now sole proprietor of E. A. Gessler & Son, 408 Olive Street.

Continued from page 3

In Opposition to the Frear Bill

crease the Business of the New York Stock Exchange and to Expand the Hamstringing Activities of the SEC." [Full text of Mr. Eaton's testimony on page 7.]

We have given only some of the highlights of this opposition because of space limitation. It is widespread, and, of course there is that silent opposition in the securities field, which because of fear of reprisals will not speak.

We hope that Mr. McDonald, in view of what has happened, has reoriented his thinking and realized that there is basic and fundamental opposition to the Frear Bill, all widespread.

There is yet another contrast in our attitude *vis-a-vis* that of the SEC. We have always taken the position that the listed auction market and the Over-the-Counter-Market have both served our economy well, and as between these markets, we have acted, and advocated that the Commission act with complete objectivity and utter impartiality. We would come to the defense of either one of these markets as readily as we would come to the defense of the other. With us there is no distinction as respects our duty.

The SEC on the other hand, while it declares sanctimoniously that it too is impartial, nevertheless demonstrates that what it professes on one hand it fails to perform on the other, e. g., in certain reorganizations it has insisted that the securities which were to be distributed be listed as a condition to giving its approval.

The Commission's militant advocacy of the Frear Bill is another striking evidence of its insincerity. It must be apparent to every thinking person that the passage of the Frear Bill will mark the decline of the Over-the-Counter Market and ultimately its complete demise.

Members of the Exchanges will realize that this regulator juggernaut which aims at Over-the-Counter Market demolition today may choose the Exchanges as its target tomorrow and advocate by a process of progressive paternalism that the security business be nationalized.

There is too much of that selfish tendency which protests only when its own corns are being stepped on. The whole picture must be envisioned and encompassed for there is no telling when the free of today may be the oppressed of tomorrow.

The securities business has been compelled to bear a particularly oppressive burden in regulation. The answering of prying questionnaires, the making of periodic financial reports, the registering of salesmen, the control of price, the use of wordy, lengthy and unnecessary prospectuses, trial by the SEC, and its satellite, the NASD—both acting as prosecutor, judge and jury—these are but a few of the evils which have been foisted upon it.

Gradually, step by step the government has been making further incursions into the securities field. Under the guise of "protecting the investor" the freedom of the public generally is being impaired and the right to do business untrammeled is being severally curtailed. The American way of life is on the decline. Unless freed of these regimenting restrictions, it may be on the way out entirely.

This is the time for the Congress to recognize the extent to which our freedom of action is being imperiled and to stop this juggernaut, the SEC.

Every one of our national legislators would do well to pay particular attention to the statement of Ewing T. Boles, President of the Investment Dealers of Ohio, in which he establishes the existence of adequate protection for shareholders and security holders under existing laws. He further establishes that under the Frear Bill small businesses would be required to file registration statements with the SEC and to file annual, quarterly and supplemental reports. "The preparation of these reports," says Mr. Boles, "would not only tax the regular facilities available to these companies but would impose the added expense of retaining the services of additional accounting and legal experts to carry out the applicable SEC requirements."

Mr. Boles also pointed out that compliance with the proposed proxy rules would again require the aid of high priced experts. (Full text of Mr. Boles' testimony appears in this issue, starting on page 6.)

The extension of the powers of the SEC is fraught with danger. The curtailment of its powers is presently and immediately necessary in the public interest, in the interest of investors and in the interest of preserving our American way of life and to again open up the capital market so investment funds will flow more freely into trade and industry.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Feb. 19	90.7	91.5	95.0	100.0
Equivalent to—					
Steel ingots and castings (net tons)	Feb. 19	1,729,000	1,744,200	1,810,300	1,843,500
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output — daily average (bbls. of 42 gallons each)	Feb. 4	4,945,100	4,955,950	4,926,700	5,407,500
Crude runs to stills—daily average (bbls.)	Feb. 4	¶5,420,000	5,470,000	5,524,000	5,441,000
Gasoline output (bbls.)	Feb. 4	17,830,000	18,363,000	18,710,000	16,464,000
Kerosene output (bbls.)	Feb. 4	2,513,000	2,686,000	2,687,000	2,274,000
Gas, oil, and distillate fuel oil output (bbls.)	Feb. 4	7,335,000	7,302,000	7,348,000	7,140,000
Residual fuel oil output (bbls.)	Feb. 4	8,121,000	8,389,000	8,336,000	8,634,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Feb. 4	127,437,000	124,270,000	116,774,000	117,169,000
Kerosene (bbls.) at	Feb. 4	18,095,000	18,449,000	20,215,000	21,107,000
Gas, oil, and distillate fuel oil (bbls.) at	Feb. 4	64,039,000	66,337,000	75,338,000	60,012,000
Residual fuel oil (bbls.) at	Feb. 4	54,590,000	57,036,000	61,715,000	61,302,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Feb. 4	§612,524	§636,415	§506,947	682,143
Revenue freight received from connections (number of cars)	Feb. 4	§571,503	*§576,196	§471,344	600,032
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Feb. 9	$141,900,000	$160,683,000	$193,494,000	$131,200,000
Private construction	Feb. 9	69,400,000	90,540,000	106,668,000	85,400,000
Public construction	Feb. 9	72,500,000	70,143,000	86,826,000	45,800,000
State and municipal	Feb. 9	66,800,000	47,481,000	69,678,000	35,600,000
Federal	Feb. 9	5,600,000	22,662,000	17,148,000	10,200,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Feb. 4	6,540,000	7,500,000	5,650,000	11,385,000
Pennsylvania anthracite (tons)	Feb. 4	703,000	726,000	401,000	687,000
Beehive coke (tons)	Feb. 4	15,400	*20,500	23,000	161,300
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	Feb. 4	227	*222	205	229
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Feb. 11	5,970,919	6,062,095	6,028,589	5,722,086
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	Feb. 9	195	199	207	192
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Feb 7	‡3.837c	3.837c	3.837c	3.720c
Pig iron (per gross ton)	Feb. 7	$46.38	$46.05	$45.88	$46.74
Scrap steel (per gross ton)	Feb. 7	$27.25	$27.08	$26.42	$37.58
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Feb. 8	18.200c	18.200c	18.200c	23.200c
Export refinery at	Feb. 8	18.425c	18.425c	18.425c	23.425c
Straits tin (New York) at	Feb. 8	74.500c	74.250c	77.500c	103.000c
Lead (New York) at	Feb. 8	12.000c	12.000c	12.000c	21.500c
Lead (St. Louis) at	Feb. 8	11.800c	11.800c	11.800c	21.300c
Zinc (East St. Louis) at	Feb. 8	9.750c	9.750c	9.750c	17.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Feb. 14	103.75	103.79	104.32	101.59
Average corporate	Feb. 14	111.41	116.41	116.41	113.12
Aaa	Feb. 14	121.46	121.46	121.67	119.00
Aa	Feb. 14	120.02	119.82	120.02	117.00
A	Feb. 14	115.82	116.02	116.02	112.00
Baa	Feb. 14	108.70	108.70	108.88	105.00
Railroad Group	Feb. 14	111.62	111.62	112.00	108.70
Public Utilities Group	Feb. 14	117.40	117.40	117.40	113.31
Industrials Group	Feb. 14	120.43	120.43	120.43	117.20
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Feb. 14	2.23	2.22	2.18	2.39
Average corporate	Feb. 14	2.83	2.83	2.83	3.00
Aaa	Feb. 14	2.58	2.58	2.57	2.70
Aa	Feb. 14	2.65	2.66	2.65	2.80
A	Feb. 14	2.86	2.85	2.85	3.06
Baa	Feb. 14	3.24	3.24	3.23	3.45
Railroad Group	Feb. 14	3.08	3.08	3.06	3.24
Public Utilities Group	Feb. 14	2.78	2.78	2.78	2.99
Industrials Group	Feb. 14	2.63	2.63	2.63	2.79
MOODY'S COMMODITY INDEX	Feb. 14	358.9	355.8	350.3	374.6
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Feb. 4	248,603	178,695	210,930	220,321
Production (tons)	Feb. 4	202,942	208,433	170,281	180,379
Percentage of activity	Feb. 4	91	92	74	87
Unfilled orders (tons) at	Feb. 4	383,173	337,785	399,645	343,983
OIL, PAINT AND DRUG REPORTER PRICE INDEX — 1926-36 AVERAGE=100	Feb. 10	120.9	122.1	123.2	140.4
STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE—SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of orders	Jan. 28	27,823	28,169	22,998	23,691
Number of shares	Jan. 28	822,964	833,639	686,555	656,904
Dollar value	Jan. 28	$33,473,610	$34,501,271	$26,374,439	$27,419,644
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Jan. 28	28,330	29,369	28,789	20,307
Customers' short sales	Jan. 28	267	282	136	251
Customers' other sales	Jan. 28	28,063	29,087	28,653	20,056
Number of shares—Customers' total sales	Jan. 28	770,638	804,312	837,327	534,547
Customers' short sales	Jan. 28	10,014	10,906	4,701	9,916
Customers' other sales	Jan. 28	760,624	793,406	832,626	524,631
Dollar value	Jan. 28	$28,919,865	$29,546,513	$26,522,220	$19,857,563
Round-lot sales by dealers—					
Number of shares—Total sales	Jan. 28	269,550	261,610	348,130	160,870
Short sales	Jan. 28	------	------	------	------
Other sales	Jan. 28	269,550	261,610	348,130	160,870
Round-lot purchases by dealers—					
Number of shares	Jan. 28	303,470	289,140	176,370	259,610
WHOLESALE PRICES NEW SERIES—U. S. DEPT. OF LABOR—1926=100:					
All commodities	Feb. 7	151.6	*151.2	151.4	157.0
Farm products	Feb. 7	157.2	155.5	155.3	163.2
Grains	Feb. 7	158.5	160.7	160.1	148.4
Livestock	Feb. 7	199.2	197.8	192.6	195.1
Foods	Feb. 7	156.0	*154.6	155.9	159.4
Meats	Feb. 7	211.5	208.1	210.7	207.3
All commodities other than farm and foods	Feb. 7	145.1	*145.2	145.2	151.8
Textile products	Feb. 7	137.4	137.4	137.4	145.2
Fuel and lighting materials	Feb. 7	130.5	130.4	130.4	137.1
Metals and metal products	Feb. 7	169.3	*169.5	169.5	175.8
Building materials	Feb. 7	191.2	*190.9	190.3	200.9
Chemicals and allied products	Feb. 7	115.8	115.8	116.0	122.8

*Revised figure. ¶Includes 487,000 barrels of foreign crude runs. ‡The weighted finished steel composite was revised for the years 1941 to date. The weights used are based on the average product shipments for the 7 years 1937 to 1940 inclusive and 1946 to 1948 inclusive. §Reflects effect of five-day week effective Sept. 1, 1949.

	Latest Month	Previous Month	Year Ago
BUSINESS INVENTORIES, DEPT. OF COMMERCE NEW SERIES — Month of Nov. (millions of dollars):			
Manufacturing	$30,600	*$30,700	$33,800
Wholesale	9,200	9,200	9,700
Retail	14,300	14,500	15,000
Total	$54,100	*$54,400	$58,600
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD — Month of January:			
Total U. S. construction	$915,475,000	$863,561,000	$565,826,000
Private construction	428,051,000	380,433,000	229,814,000
Public construction	487,424,000	483,128,000	336,012,000
State and Municipal	211,840,000	228,053,000	206,115,000
Federal	275,584,000	255,075,000	129,897,000
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of November:			
All manufacturing (production workers)	11,256,000	*11,367,000	------
Durable goods	5,689,000	*5,655,000	------
Nondurable goods	5,567,000	*5,714,000	------
Employment indexes—			
All manufacturing	137.4	*138.8	155.9
Payroll indexes—			
All manufacturing	313.5	*320.8	362.3
Estimated number of employees in manufacturing industries—			
All manufacturing	13,776,000	*13,888,000	15,368,000
Durable goods	7,023,000	*6,984,000	8,352,000
Nondurable goods	6,753,000	*6,904,000	7,016,000
LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS — INSTITUTE OF LIFE INSURANCE—Month of December:			
Death benefits	$132,673,000	$120,828,000	$131,229,000
Matured endowments	37,933,000	38,559,000	42,975,000
Disability payments	8,534,000	7,867,000	8,812,000
Annuity payments	17,097,000	19,689,000	18,641,000
Surrender values	59,180,000	51,073,000	50,796,000
Policy dividends	83,640,000	38,638,000	80,727,000
Total	$339,057,000	$276,654,000	$333,180,000
LIFE INSURANCE PURCHASES — INSTITUTE OF LIFE INSURANCE — Month of November (000's omitted)—			
Ordinary	$1,198,000	$1,178,000	$1,176,000
Industrial	395,000	416,000	370,000
Group	308,000	267,000	262,000
Total	$1,901,000	$1,861,000	$1,808,000
MANUFACTURERS' INVENTORIES & SALES (DEPT. OF COMMERCE) NEW SERIES—Month of November (millions of dollars):			
Inventories:			
Durable	$13,600	*$13,900	$15,900
Nondurable	17,000	*16,900	17,900
Total	$30,600	*$30 800	$33,800
Sales	17,600	16,800	19,300
NEW CAPITAL ISSUES IN GREAT BRITAIN—MIDLAND BANK, LTD.—Month of January	£10,995,000	£8,446,000	£6,578,000
PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—Month of November (in billions):			
Total personal income	209.7	*209.0	216.6
Wage and salary receipts, total	133.6	*133.6	137.5
Total employer disbursements	135.8	*135.8	139.7
Commodity producing industries	57.2	*56.9	62.7
Distributive industries	39.3	*40.0	39.8
Service industries	17.4	17.4	16.9
Government	21.9	*21.5	20.3
Less employee contributions for social insurance	2.2	2.2	2.2
Other labor income	2.3	2.2	2.0
Proprietors' and rental income	44.1	*44.0	49.8
Personal interest income and dividends	17.6	17.5	16.9
Total transfer payments	12.1	11.7	10.4
Total nonagricultural income	191.9	*191.2	192.8
PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE August, 1909—July, 1914 = 100—As of November 15:			
Unadjusted—			
All farm products	239	243	271
Crops	208	206	224
Food Grain	215	212	234
Feed grain and hay	159	163	181
Tobacco	375	403	412
Cotton	224	231	246
Fruit	149	155	157
Truck crops	226	170	186
Oil-bearing crops	207	208	283
Livestock and products	268	276	313
Meat animals	295	308	351
Dairy products	258	255	284
Poultry and eggs	217	231	272
UNITED STATES EXPORTS AND IMPORTS—BUREAU OF CENSUS—Month of December	$	$	$
Exports	942,800,000	*836,100,000	1,317,000,000
Imports	605,000,000	*593,700,000	719,748,000
U. S. GOVT. STATUTORY DEBT LIMITATION—As of Jan. 31 (000's omitted):			
Total face amount that may be outstanding at any one time	$275,000,000	$275,000,000	$275,000,000
Outstanding—			
Total gross public debt	256,865,375	257,130,340	252,721,282
Guaranteed obligations not owned by the Treasury	27,029	29,769	26,110
Total gross public debt and guaranteed obligations	$256,892,405	$257,160,110	$252,747,393
Deduct—Other outstanding public debt obligations not subject to debt limitation	741,851	746,897	785,345
Grand total outstanding	$256,150,554	$256,413,212	$251,962,047
Balance face amount of obligation issuable under above authority	18,849,445	18,586,787	23,037,952
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of Jan. 31	$256,892,405	$257,160,110	$252,656,167
General fund balance	5,048,918	4,679,048	4,659,251
Computed annual rate	2.205%	2.208%	2.222%
Net debt	$251,843,4[illegible]	$252,481,062	$247,996,916

*Revised figure.

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Underinvestment—Cloud On Economic Horizon

through wise monetary, tax and debt management policies, can give full scope to the dormant energies of American industry.

I commend to all of you, as preferred reading, a study by Professor W. L. Crum of the University of California, who shows that incomes of stockholders—especially small incomes—bear a much heavier tax burden than those of citizens not owning stock. Considering the importance of the stockholder in our economy, can there be any excuse for this discrimination? The answer is "no."

Now as to the measures that would remove the fears of investors and of businessmen. The steps that should be taken to substitute confidence for anxiety are indicated in the four principal causes which I have outlined. A variety of remedies are, of course, necessary, but what we need above everything else are national policies and attitudes that recognize the investor as indispensable in the processes by which jobs and opportunities are created.

I am amazed, in my contacts in different parts of the country, to discover how few people realize the extent to which incentive has been destroyed in this country. I have never understood this. Given proper encouragement, our economic machine will operate at such a rate as to assure not only progress and prosperity for the nation, but adequate revenue for the needs of Government. The effectiveness of policies shaped around incentive has been demonstrated in the past. Our policies, particularly our tax policies, should be so shaped again. Why not try incentive?

I say restore the incentives needed to activate the businessman, the enterpriser. Thus, a dynamic economy can be developed in which the country certainly can attain a national income of $300,000,000,000 or larger. Such an income certainly cannot be attained soundly without incentives. With a national income of that size, the cost of carrying the war debt and its relation to the economy will assume proper proportions. The obstructions to the investment of equity capital have prevented our capital markets from reflecting the true value of private wealth. The present Government debt of $257,000,000,000, not to mention many other forms of debt, is compared in the public mind with a national wealth of $310,000,000,000 figured at pre-war prices. As a result, many people have reached the conclusion that the country is near bankruptcy. It is not, of course.

The restoration of confidence will require, however, a change in tax philosophy which was based on the false assumption that the United States had reached a position of economic maturity. These policies are retarding investment ownership. They are eliminating the able, the competent, from the fields of enterprise.

Our tax problem is really not as complex as it appears. It is a matter of choosing those taxes which retard enterprise the least. Let us take a familiar symbol—the man with a pack on his back. It is true that the heavier the pack, the greater the handicap. But, it is also perfectly clear that a pack skillfully adjusted can be carried more readily than one which is badly arranged. Because of our heavy obligations, there are limits to the reduction which can be made in the over-all tax burden. But, we can re-distribute the tax load in such a way as to stimulate equity investment and spark the economic machine.

Canada is showing the way by demonstrating that the gradual elimination of double taxation on dividends is both basic and possible in a modern nation. I would like to quote Canadian Finance Minister Douglas Abbott. He said, in announcing a sweeping tax cut last Spring, and I quote: "It seems to me that, under a system of private enterprise, which depends for its existence on a steady flow of venture capital, we cannot afford to neglect the implication of this defect of double taxation in our tax system . . . It is a matter of concern for the future under a system where we depend, **and must depend**, for full employment and the creation of new wealth on the willingness of our people to **risk** their money in constructive enterprises." End of quotation.

Our Canadian neighbor has put his finger on one of the most indefensible features of our tax structure, and that is the double taxation of dividends. I have yet to hear any logical justification for this particular tax policy. It is unjust, it is unsound and it outrages the investor's sense of fairness. It has been proposed to allow individuals to take a credit equal to 10 per cent of their dividends in computing their tax liability. This would be an encouraging first step toward a long over-due correction of an injustice which crept into our tax system as long ago as 1913.

Another serious inequity in the tax structure which has very damaging consequences is the capital gains tax. There is an easy remedy for this tax which, to be realistic, is not a tax but a form of confiscation. It has been in our tax structure so long, however, that its complete elimination is too much to expect at this time. An approach to a solution which is widely favored would be to reduce the rate to 10 per cent, to increase to $5,000 the amount of capital losses which could be offset against ordinary income each year, and to reduce the holding period to not more than three months.

Originally, the objective of the capital gains tax was revenue. Later on, it was regarded as a means of "soaking the rich." This was and is an absurd idea. By making the acceptance of capital gains optional, you cannot levy on the rich through a capital gains tax. All you can do is to deter the taxpayer from selling an old capital asset and from putting money into a new one. You can stop him from using his own best judgment and thereby needlessly interfere with the functioning of a free market. The investor who finds that he cannot use his own judgment because of an arbitrary time factor becomes apathetic in regard to risk-bearing and finds shelter in tax exempt securities.

I have merely attempted to point out a list of alarming conditions and trends that are endangering a nation grown great through the magic of incentive. Unless these trends are checked much that we have today will disintegrate, and once the light of a great, free, industrial economy is extinguished here it may be a long time before it is re-lighted anywhere.

Our enterprise system will continue to grow if national economic policies in general are directed to release its potentials. I believe that people everywhere can be most effective in reversing dangerous trends by constantly drawing attention to every tax, every attitude, and every action that is suspect, as regards their effect upon incentive, enterprise, and initiative. In doing this, they are contributing to the common welfare. National policies must be modernized to fulfill the needs of a dynamic America.

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The State of Trade and Industry

national metalworking weekly, in its current summary of the steel trade. They are gambling on an early resumption of coal shipments. If they lose, and there is another week of no coal mining, major segments of the nation's industry will shut down with a bang!

Demand for steel continues at a very high level. Steel company sales meetings this week reflected an even more optimistic tone than had been the case in recent weeks, this trade authority notes. Demand for cold-drawn bars, hot-rolled bars and wire products showed an upturn. Several companies have orders and commitments on flat-rolled items sufficient to carry through the second quarter.

How much of this intense demand is due to jittery consumers seeking to get on order books because of the threat of a steel shutdown for lack of coal is the big question bothering steel sales executives, declares "The Iron Age." Customers offer little help in answering this question, as all insist that their orders are based on real needs.

One thing is certain, steel's best customer, the auto industry, is going to push output as long as the steel supply holds out and auto demand holds up. Although the Chrysler strike has idled about 150,000 workers, including 89,000 strikers, other firms are driving for the biggest possible share of the market. These firms, including parts suppliers, are not following General Motors' restriction on overtime in its assembly plants.

Should the coal crisis continue and force further curtailment of steelmaking, there are three limited sources of steel supply open to consumers this trade magazine points out: (1) Warehouses, (2) Steel company stocks and (3) Conversion. But these sources can not supply as much as they did during the steel strike last fall.

Warehouses, this trade authority adds, are unanimously in short supply of flat-rolled items, especially hot-rolled, cold-rolled and galvanized sheets. A few warehouses are already completely out of popular sizes and gauges of these items. Some other items are in comparatively good supply. These include structurals, plates, hot-rolled bars and cold-drawn bars.

Steel companies which had to deplete their inventories to satisfy customers following the strike have not been able to replenish them because of persistent demand. Although small tonnagewise, conversion steel is playing an important role in the automotive drive for high production. Some companies will be able to turn out conversion ingots even if blast furnaces are shut down, "The Iron Age" concludes.

The American Iron and Steel Institute announced this week that the operating rate of steel companies having 93% of the steel-making capacity for the entire industry will be 90.7% of capacity for the week beginning Feb. 13, 1950. This is a decline of 0.8 point from last week's rate of 91.5%.

This week's operating rate is equivalent to 1,729,000 tons of steel ingots and castings for the entire industry compared to 1,744,200 tons one week ago. A month ago the rate was 95% and production amounted to 1,810,300 tons; a year ago it stood at 100% and 1,843,500 tons, and for the average week in 1940, highest prewar year, at 1,281,210 tons.

ELECTRIC OUTPUT RECEDES FROM ALL-TIME HIGH RECORD OF WEEK AGO

The amount of electrical energy distributed by the electric light and power industry for the week ended Feb. 11 was estimated at 5,970,919,000 kwh., according to the Edison Electric Institute.

It was 91,176,000 kwh. lower than the figure reported for the previous week; 248,833,000 kwh., or 4.3% above the total output for the week ended Feb. 12, 1949, and 585,974,000 kwh. in excess of the output reported for the corresponding period two years ago.

CARLOADINGS ADVERSELY AFFECTED BY REDUCED COAL SHIPMENTS

Loading of revenue freight for the week ended Feb. 4, 1950, totaled 612,524 cars, according to the Association of American Railroads. This was a decrease of 23,891 cars, or 3.8% below preceding week this year, due principally to a reduction in coal shipments.

It also represented a decrease of 69,619 cars, or 10.2%, below the corresponding week in 1949, and 134,412 cars, or 18%, below the corresponding week in 1948.

AUTO OUTPUT TURNS UPWARD IN LATEST WEEK

According to "Ward's Automotive Reports" for the past week, motor vehicle production in the United States and Canada is estimated at 130,640 units compared with the previous week's total of 127,428 (revised) units.

Both General Motors and Ford Motor Co. increased volume slightly last week, the agency said. GM plants are still operating at record daily production levels, despite the overtime curtailment announced the past week.

Commenting on the coal shortage, Ward's said that the automotive industry's stocks of steel are adequate for present needs.

The total output for the current week was made up of 100,827 cars and 22,338 trucks built in the United States and 5,330 cars and 2,145 trucks built in Canada.

The week's total compares with 108,911 units produced in the U. S. and Canada in the like 1949 week.

BUSINESS FAILURES DIP FURTHER

Commercial and industrial failures dipped to 195 in the week ended Feb. 9 from 199 in the preceding week, Dun & Bradstreet, Inc., reports. Casualties were only slightly more numerous than a year ago when 192 occurred in the comparable week, but they were considerably above the 128 in the similar week of 1948. Failures continued to be about two-thirds as numerous as in prewar 1939, when 318 concerns succumbed.

Casualties involving liabilities of $5,000 or more decreased to 159 from 162 and were also lower than a year ago when 162 concerns failed in this size group. Small failures having liabilities under $5,000 declined to 36, but remained above the 1949 level.

Wholesale, construction and service failures fell during the week, while manufacturing and retailing casualties increased to 47 and 104, respectively. In both wholesale trade, where failures dropped to 22, and in construction, where they fell to 9, casualties were less numerous than in the comparable week last year. Other industry and trade groups, however, continued to have more concerns failing than in 1949.

Geographically, the week's decline was concentrated in the Pacific and South Atlantic States. The Middle Atlantic and the East North Central States reported increases. Almost no change from last week appeared in other regions. Four areas, the New England, Middle Atlantic, West North Central and East South Central States had fewer concerns failing than a year ago.

WHOLESALE FOOD PRICE INDEX ATTAINS HIGHEST LEVEL IN FIVE MONTHS

Marking the third successive weekly advance, the Dun & Bradstreet wholesale food price index rose one cent to stand at $5.80 on Feb. 7, the highest level since Sept. 13, 1949, when it registered $5.85. For the first time since Aug. 31, 1948, the index is above the level of the previous year. The current figure shows a rise of 2.5% over the same week a year ago when the index dropped sharply from $5.88 to $5.66.

Price changes this week included a sharp upturn in fresh beef and moderate advances in barley, butter, cheese, eggs, potatoes, hogs and lambs, while declines were listed for flour, wheat, corn, rye, oats, hams, bellies, lard, sugar and cocoa.

The index represents the sum total of the price per pound of 31 foods in general use.

DAILY WHOLESALE COMMODITY PRICE INDEX CONFINED TO NARROW RANGE

The general level of wholesale prices showed little change the past week. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., moved in a narrow range and closed at 247.09 on Feb. 7. This compared with 246.95 a week ago and with 254.74 on the corresponding date last year.

Grain markets on the Chicago Board of Trade were somewhat unsettled last week with some deliveries of wheat, corn and rye selling at new lows for the season and May wheat dropping to the lowest since last September.

Cash grains were mostly inactive with prices generally lower than a week ago. Weakness was attributed to general liquidation induced by relatively slow foreign and domestic demand, and uncertainty created by Washington developments. Large loan stocks of wheat, corn and other grains still owned by the govern-

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ment and reports of proposed legislation for curtailing support programs were also weakening influences.

Domestic demand for hard wheat bakery flours remained very dull. Buyers were cautious in view of the decline in wheat prices and reports of slowness in the sale of bakery products.

Demand for cocoa was slower and values trended lower in both the actual and futures markets, reflecting recent substantial arrivals. Lard price continued to ease as the result of scattered liquidaion and lagging demand. Hog markets continued to strengthen as further curtailment of receipts pushed values to the highest level since last October. Cattle prices were fairly steady during the week. Lambs sold sharply higher as demand continued to broaden.

Cotton prices showed little net change last week. The New York spot quotations advanced 4 points after moving irregularly in a very narrow range during the period. New crop contracts made the best showing in the futures market.

Sales volume in the ten spot markets fell rather sharply, totaling 209,800 bales in the latest week, as against 260,500 a week earlier. In the corresponding 1949 week sales totaled 178,300 bales.

Factors helping to sustain values during the week were a 12-point rise in the parity price level as of mid-January and continued mill and export price-fixing.

The advance in the parity price for the staple was in line with trade expectations and placed the latest figure at 29.88 cents a pound as compared with a mid-December quotation of 29.76 cents and 30.50 cents for mid-January last year.

Entries of cotton into the 1949 government loan stock dropped sharply in the week ended Jan. 26. Totaling only 92,936 bales, they were the smallest since early October and compared with 151,952 the week before and 94,907 in the like week a year ago.

Entries for the season through Jan. 23 aggregated 2,877,194 bales, as against a total of 4,402,000 bales to the same date last season. Reports from the cotton belt indicated a continuation of unseasonably warm weather.

RETAIL TRADE HIGHER IN SOME SECTIONS WITH RETURN OF SEASONAL WEATHER—WHOLESALE TRADE DOLLAR VOLUME FRACTIONALLY ABOVE LIKE WEEK OF 1949

Although retail buying in some parts of the country increased noticeably with the return of seasonal weather to those sections, the overall dollar volume in the period ended on Wednesday of last week continued steady with the previous week. Sales volume was slightly below the level for the similar period in 1949, according to Dun & Bradstreet, Inc., in its current summary of trade. Widespread promotions continued on a variety of merchandise.

While the purchasing of men's suits and coats remained limited, there was a slight gain in demand for women's apparel. Sportswear and inexpensive dresses were generally popular with spring suits increasingly sought in areas experiencing mild weather. Many women remained apathetic toward dresses in the medium to high price ranges. The sale of lingerie increased slightly.

Shoppers bought slightly more food the past week. The demand for fish rose moderately; poultry, especially ducks, was also popular. The purchase of fresh meat continued steady, while the interest in fresh produce dipped fractionally. The volume of bakers' goods and dairy products increased somewhat.

The dollar volume of house-furnishings dropped to a level slightly below that for the corresponding week in 1949, despite the existence of extensive February promotions.

Among large appliances, television sets were still a fast-selling item, but to a smaller extent than last week. Many other appliances were in decreased demand. There was as much consumer buying of furniture, drapery and housewares as in the previous week, although the interest in floor-coverings and lamps was limited.

Total retail dollar volume for the period ended on Wednesday of last week was estimated to be from 2 to 6% below that of a year ago. Regional estimates varied from the levels of a year ago by the following percentages:

East and Southwest —1 to —5; South and Midwest —2 to —6; Northwest and Pacific Coast —4 to —8 and New England 0 to —4.

Trading in the nation's wholesale markets remained virtually even with the week previous. Total dollar volume of orders was fractionally above that for the comparable period a year ago. The number of buyers in attendance at wholesale centers continued to drop slightly from the record high of three weeks ago.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Feb. 4, 1950, declined 1% from the like period of last year. In the preceding week a gain of 2% was registered from the like week of 1949. For the four weeks ended Feb. 4, 1950, sales reflected a decrease of 1% from the corresponding period a year ago, but for the year to date show a decline of 6%.

Retail trade in New York last week showed marked activity, but sales volume failed to come up to the level of a year ago.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to Feb. 4, 1950, fell 3% from the like period last year. In the preceding week no change was registered from the similar week of 1949. For the four weeks ended Feb. 4, 1950, a decrease of 3% was reported from the like week of last year. For the year to date volume decreased by 8%.

NOTE—On another page of this issue the reader will find the most comprehensive coverage of business and industrial statistics showing the latest week, previous week, latest month, previous year, etc., comparisons for determining the week-to-week trends of conditions, by referring to "Indications of Current Business Activity."

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Frear Bill Is Unwarranted Extension of SEC Power

Congressional overhaul and simplification of all securities legislation before any extension of the SEC's powers is considered. The eight pieces of legislation which, over the 8-year period, were successively urged upon the Congress under the pretense of protecting the investor, have instead acted as a straitjacket on the capital markets.

As matters now stand, none but the largest and strongest corporations can readily register securities with the SEC and get them cleared for offering to the general investor. Access to the capital markets has been practically denied to the medium-sized and smaller companies.

Take the $2,749,820,215 of bond and debenture issues registered with the SEC and cleared for cash sale to investors in the Commission's fiscal year ended June 30, 1949. The mammoth Bell Telephone system, 14 giant electric and gas companies and 8 other huge corporations accounted for $2,025,821,178 of this debt financing. At the other end of the scale, only five bond issues of less than $1 million were cleared for cash sale by the SEC. In other words, only five companies with financial needs in this relatively modest category were willing to endure the elaborate and expensive ordeal of SEC registration. This is appalling in a nation of 425,000 corporations, most of which ought to be expanding with our growing population.

Free From SEC Interference, Municipal Financing Flourishes

By way of contrast, consider the field of municipal finance, with which the SEC is barred by statute from interfering. During the same 12-month period, 5,466 municipal issues aggregating more than $4 billion were sold to the public for cash. Had the communities that sold their bonds been forced to submit to the SEC's red tape, most of them undoubtedly would have been unable to raise the funds they needed.

Also, by way of contrast, consider the $10 billion a year that the people of the United States now gaily risk on bingo and other kinds of betting, without let or hindrance from the SEC. If these funds could be channeled into venture capital investments to increase the productivity of our mammoth industrial machine, an abundance of the good things of this life would be assured to all Americans.

Senate Measures to Finance Small Business By-pass the SEC

The Senate has given ample evidence that it is alert to the financial needs of smaller business. In the last ten days alone, Senator Scott Lucas has introduced a bill to permit broader RFC lending to small enterprises, while Senator Joseph C. O'Mahoney has sponsored a measure to set up 36 regional banks to help small business financially. One is struck first by the fact that both of these proposals completely bypass the SEC, and second that, commendable as their purpose is, they would be unnecessary if the Congress would remove the straitjacket of oppressive SEC regulation from the capital markets.

On the first day of these hearings, the SEC suggested that Congress authorize it to make a two-year study of trading in securities. A more fruitful study, which the Congress itself should make would be the re-examination and revision of all of the federal securities legislation which I mentioned earlier. Among other aspects that should be considered are the many instances in which powers and functions of the SEC are a duplication of powers and functions of the state regulatory commissions. I understand that Senator Burnet Maybank raised a question whether Senate Bill 2408 might not in some respects amount to "an invasion of states' rights," and similar invasions have already occurred in the case of earlier legislation.

"Investor Has Not Been Protected, But Thoroughly Misled" by SEC

In conclusion, I can find no better statement of the problem that confronts your Committee than the following observation of Senator Murray in his 1946 article:

"Instead of extending the Securities Exchange Act to cover a large number of unlisted corporations with a probable result of killing the natural and normal development of small business and the over-the-counter markets, Congress should examine and restate their intent in the original acts. Then they should have an unbiased commission investigate the workings of the administration of these acts and the effect on the national economy during the abnormal time through which the SEC has lived. Has the Commission carried out the intent of Congress? Has the SEC done more harm than good? Has the administration of these acts created conditions in the capital markets comparable to prohibition in the liquor trades and with the Black Markets created by the OPA? After Congress has thoroughly investigated the workings of the SEC and how the investor has not been protected, but in many instances thoroughly misled, by this so-called 'protective' agency, it will easily understand the necessity for a complete revision of the existing statutes, rather than an extension of the power now being sought by the SEC."

Continued from page 5

Point Four "in Court"

should recommend appropriations to Congress from time to time for the purpose of implementing Point Four.

One of the more enthusiastic advocates of Point Four suggests the possible scope of this measure by insisting that American investment for this purpose must be not less than $60 or $70 billion. Senator McMahon sets up a target which is only slightly less forbidding, namely, $50 billion.

* * *

Q. Can you see any sound American interest served by a politically-promoted Point Four?

A. It is most unlikely that any sound American interest can be served in this fashion. Actually, any loans made to a borrower under Point Four must inevitably be a disservice both to him and to America. Whenever, in the normal course of business, a borrower comes to a lender, he is expected in due course, assuming his application has merit in the first instance, to pay back principal and interest. A careful examination of his prospects by the lender necessarily considers his capacity as a borrower, the soundness of his project, and the ability to realize from it a sufficient income to pay costs and to permit the retirement of principal. It is only on this basis that any sound loan can be made.

Unfortunately, Point Four, as embodied in the Kee Bill, at once puts the borrower on notice that any loan he gets from us must be so utilized by him as to "promote the foreign policy of the United States." Accordingly, he may rightfully assume that any such cooperation on his part with this country, for the promotion of a purpose that is essentially political, is a consideration in making the loan. He has a perfect right to assume that such cooperation is a practical *quid pro quo* on his part.

Therefore, having rendered performance in political currency, he has every right to expect that he should not be held to the letter of his financial bond. In other words, if he does cooperate in furthering the political purposes of this government, he should expect either an adjustment in the terms of his financial obligation or complete relief from such financial obligation.

Any loan made on this basis constitutes an invitation to default. If this point is not made clear to the American public, it means that Point Four is soliciting approval under false pretenses and its authors become guilty of gross misrepresentation.

* * *

Q. What are the likely effects of a politically-promoted Point Four on the American economy?

A. In the first place, it will deceive the American public by causing it to believe that sound loans have been made to needy foreign borrowers on a business basis by private capital. However, since the United States Government is asked to underwrite these loans, it means in effect that Uncle Sam will hold the bag. In the unlikely event that private loans so introduced by Uncle Sam are successful, the private lender will profit. If unsuccessful, the U. S. Treasury pays the bill. This is a one-way "Heads-I-win, tails-you-lose" proposition, in which the American taxpayer foots the bill. It is furthermore a bill which he is asked in advance to underwrite without knowing how large it will be.

Point Four largely ignores the fact that the Export-Import Bank and the International Bank for Reconstruction and Development have both been making loans to foreign borrowers, many of them qualifying as sovereigns of "under-developed areas." These two government agencies during the years of their operation have developed able and ample technical staffs to provide any information and advice of a technical character which applicants presumably may require. Point Four, therefore, repudiates the efforts of the Export-Import Bank and the International Bank for Reconstruction and Development and implicitly censures them. It says in effect to these two institutions: "You have failed in your jobs."

Insofar as good American capital is employed in promoting the doubtful purposes of Point Four, it takes capital out of the

United States—capital which in all probability can be employed much more constructively at home than abroad.

* * *

Q. Is a politically-promoted Point Four really necessary for a foreign country that wants American technical advice and capital?

A. The answer to this question is "No." Since the end of the war both the Export-Import Bank and the International Bank for Reconstruction and Development have explored many opportunities throughout the world where American capital might conceivably be employed constructively. However, over and above the good job done by these two institutions are the thousands of American corporations which have similarly been scouring the earth for worthwhile projects in which private American capital might be invested. There are at the present time some 2,500 American companies which have investments abroad. These investments have reached a grand aggregate of $16 billion. In spite of the $30 billion which have been distributed to other parts of the world by our government since the end of the war through such devices as the Marshall Plan Lend Lease, UNRRA, and so forth, private American enterprise has invested more than $4 billion. In other words, there has moved from this country to other parts of the world in this postwar period a flood of private American capital running at the rate of a billion dollars a year.

A good concrete illustration of this is provided by the purchase of a German mining property in Southwest Africa by an American and British group. This group consisted of Newmont Mining, American Metals, and a British organization. In open bidding, this German mining property at Tsumeb was purchased for a little more than $4 million. The promoters invested another $6 million, making a total commitment of a little less than $10 million. This project has been successful in a financial, an economic, and a social sense. It has fully justified the investment, has provided thousands of jobs in Southwest Africa, and has created one of the cleanest urban communities in that part of the world.

* * *

Q. Why did these investors risk so much of their own capital in this venture?

A. In the first place, the South African Government told these foreign investors that they would be subject to no taxes until they had fully recovered all their original investment. In the second place, this government said that after their initial capital had been recovered, any earnings would be subject to a single, total tax of 17½%. Finally, these enterprising foreign investors were told that they would be free to transfer any or all of their earnings beyond the borders of South Africa at the official rate of exchange. Here is a clear object lesson on how to attract foreign capital.

* * *

Q. Do you subscribe to the general theory that American capital should be used for the development of backward areas?

A. The answer, of course, is "Yes." However, such investment should be free from the charge of Yankee imperialism. When the government sets up a scheme to promote the investment of American capital elsewhere and it does so on the basis that this capital may be invested only if it promotes the foreign policy of the United States, then such investment inevitably is exposed to the charge of imperialism.

American capital abroad has been doing a good job and it can continue to do so without the intervention and the confusion of politically imposed State Department objectives. The substantial investment of American capital in Alberta for oil development, in Labrador and Ontario for mining, in Venezuela for oil and iron ore, in Western Europe for manufacturing—all these constitute a judicious use of American funds. They are funds invested at private risk without entailing a blank check responsibility for the American taxpayer. They may not bring on the millennium overnight but over a longer period of time, given patience on our part and cooperation by the governments of areas seeking capital we can hope to realize at least the same progress in the future that we have in the past.

* * *

Q. Have you any constructive proposals in lieu of Point Four for stimulating world trade and promoting higher living standards in other parts of the world?

A. The answers to the previous questions already indicate the answer to this question. World trade cannot be stimulated, higher living standards elsewhere cannot be promoted, unless we get a reasonable amount of cooperation from the peoples and governments of the areas seeking American capital. This cooperation does not mean that they must sacrifice their freedom in foreign policy as the official Point Four program requires. It does not mean that the sovereignty of these governments need in any way be impaired in order to induce American capital to commit itself.

It does mean, however, that these areas must give reasonable assurances to the private owners of American capital. It means that tariff barriers must be reduced, not only by this country but by others who are trying to find the formula of economic progress. It means an elimination of currency restrictions. There is no point in investing American money abroad if, as the English Government is now doing to the motion picture industry, the proceeds of investment are locked up without the right of free movement.

If American capital is to be attracted, the governments must give reasonable assurances that they will not themselves compete with such capital and create conditions under which the prospect for foreign capital becomes hopeless. No owner of American capital in his right senses in going to invest it elsewhere if he is faced with the threat of nationalization. Finally, the government seeking American capital should provide an honest currency under which business can be transacted and values reckoned. In the long experience of the world there has been only one way to provide such a currency, and that is to make it rest on gold and be freely convertible into gold at the option of the holder.

If these conditions are met—and they are not unreasonable—a substantial volume of American capital is available for foreign investment and can be used in the future, as it has been in the past, to develop valuable resources and raise living standards in under-developed areas. No politically inspired, misleading Point Four, predestined to failure, is necessary.

Business Man's Bookshelf

Accounting and Tax Problems in the Fifties—Technical papers from the 62nd annual meeting of the American Institute of Accountants—American Institute of Accountants, 270 Madison Avenue, New York 16, N. Y.—paper—$1.00.

Causes of Industrial Peace Under Collective Bargaining: Nashua Gummed and Coated Paper Co. and Seven AFL Unions—National Planning Association, 800 21st Street, N. W., Washington 6, D. C. —paper—$1.00.

Methods of Financing Economic Development in Under-Developed Countries — United Nations—Columbia University Press, 2960 Broadway, New York 27, N. Y.—paper—$1.25.

Socialism in America—Study by the Committee on Economic Policy—Chamber of Commerce of the United States of America, Washington 6, D. C.—paper—50¢ (lower prices on quantity orders).

Taxable and Business Income—Dan Throop Smith and J. Keith Butters—National Bureau of Economic Research, Inc., 1819 Broadway, New York 23, N. Y.—cloth —$4.00.

Hogan, Price Add

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, CAL.—Jack G. Jackson has been added to the staff of Hogan, Price & Co., 118 South Beverly Drive.

Securities Now in Registration

• INDICATES ADDITIONS SINCE PREVIOUS ISSUE

Aircraft Maintenance International, Inc., N. Y.
Jan. 23 (letter of notification) $300,000 12-year 5% debentures due Jan. 1, 1962, and 75,000 shares of common stock (par 25c) offered in units of $1,000 debentures and 250 shares of common stock at $1,000 per unit. No underwriter. Proceeds for purchase of inventory and equipment and for working capital. **Office**—51 East 42nd Street, New York City.

• All American Assured Securities Co., Inc., Lafayette, La.
Feb. 14 (letter of notification) 5,876 shares of preferred stock (par $20) to be offered in exchange, on a share for share basis, for the stock of The United National Insurance Co., Atlanta, Ga. No underwriter.

• Allied Petroleum Corp.
Feb. 6 (letter of notification) 44,240 shares of common stock to be offered at par ($1 per share). No underwriter. Proceeds to drill for oil and gas in Lucerne Valley, Calif. **Office:** Subway Terminal Building, Los Angeles, Calif.

American Cladmetals Co., Carnegie, Pa.
Dec. 15 (letter of notification) 10,000 shares of common stock (par $1) for account of selling stockholder. **Underwriter**—C. S. McKee & Co., Pittsburgh, Pa. **Price**—Expected at market.

• American Small Business, Inc.
Feb. 7 (letter of notification) $100,000 in $10 "founders' certificates" to be offered at par. No underwriter. Proceeds to be used to disseminate information among members of the association and the public generally and to advance commercial, industrial, civic and general interests. **Office:** 1308-19th Street, N. W. Washington, D. C.

Ampal-American Palestine Trading Corp., N. Y.
Nov. 3 filed $3,250,000 10-year 3% sinking fund debentures due 1958 and 200,000 shares ($10 par) class A stock. **Underwriter**—Israel Securities Corp. may be underwriter. Debentures are to be offered at par and the stock at $11 per share. **Proceeds**—To be used for economic development of Israel. Statement effective Dec. 9.

Ashland Oil & Refining Co., Ashland, Ky.
Jan. 13 filed 33,097 shares of $5 cumulative preferred stock (no par value) and 40,425 shares of common stock (par $1), to be offered in exchange for outstanding preferred and common stocks of Freedom-Valvoline Oil Co. **Underwriter**—None. Statement effective Jan. 31.

Austill Waxed Paper Co.
Feb. 3 (letter of notification) 5,000 shares of 6% cumulative preferred stock (par $10) and 50,000 shares of common stock (par 10¢) to be sold in units of one preferred and ten common shares. **Price**—$11 per unit. **Underwriter**—Capital Co., Inc., Jacksonville, Fla. **Proceeds**—To install steam and electrical equipment and for working capital. **Office**—921 Lynch Bldg., Jacksonville, Fla.

• Bankers National Insurance Co., Phoenix, Ariz.
Feb. 6 (letter of notification) covering pre-organization subscriptions for 120,000 shares of capital common stock at $1.50 per share. No underwriter. Proceeds to establish a capital and surplus. **Office:** Goodrich Building, Phoenix, Ariz.

Beverly Gas & Electric Co.
Dec. 20 filed 33,000 shares of capital stock (par $25) to be offered to stockholders at the rate of 1½ shares for each two shares now held, at $30 per share. No underwriter. The proceeds will be used to pay off $575,000 of notes held by the New England Electric System and bank loans.

• Bond Fund of Boston, Inc.
Feb. 10 filed 100,000 shares of capital stock (par $1). **Underwriter**—Vance, Sanders & Co., Boston. **Business**—Open-end diversified management investment company.

Broadway Angels, Inc., New York City
Nov. 14 filed 2,000,000 shares (1c par) common stock and 500,000 management shares of 0.1 of a cent par value, to be sold at 50 cents and 12.5 cents respectively. **Underwriter** — Hugh J. Devlin, New York. **Proceeds** — For working capital. **Business**—To back theatrical productions, distribute tickets and act as an agent for talent.

Canam Mining Corp., Ltd., Vancouver, B. C. (3/2-3)
Aug. 29 filed 1,000,000 shares of no par value common stock. **Price**—800,000 shares to be offered publicly at 80 cents per share; the remainder are registered as "bonus shares." **Underwriter**—Israel and Co., New York, N. Y. **Proceeds**—To develop mineral resources. Statement effective Dec. 9. Offering expected about March 2 or 3.

• Champion Mines Co., Denver, Colo.
Feb. 6 (letter of notification) 2,000,000 shares of authorized capital stock (par 1c) to be sold at 3c per share. No underwriter. Proceeds for mine development. **Office:** 941 Monroe Street, Denver, Colo.

• Chemical Crops, Inc.
Feb. 8 (letter of notification) 184,400 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—Robert D. Bowers & Co., Denver, Colo. **Proceeds**—To build and equip an oil seed processing plant.

Coastal Finance Corp., Silver Spring, Md.
Jan. 27 (letter of notification) 10,000 shares of 6% cumulative preferred stock (par $10) and 5,000 shares of class A common stock (par $10). **Price** — For preferred, $10 per share, and for common, $15 per share, with the purchase of two shares of preferred giving the purchaser the right to buy one share of common. **Underwriter**—None. **Proceeds**—To buy additional small loan receivables. **Office**—8427 Georgia Ave., Silver Spring, Md.

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NEW ISSUE CALENDAR

February 16, 1950
Lake Superior District Power Co.
11:30 a.m. (CST)........................**Bonds**
Lowell Adams Factors Corp.....**Preferred & Com.**

February 20, 1950
Moller-Dee Textile Corp............................**Capital**
Sharp & Dohme, Inc..............................**Preferred**
Western Maryland Ry.
11 a.m. (CST)..................**Equip. Trust Ctfs.**

February 21, 1950
East Tennessee Natural Gas Co...**Notes & Common**
Greenpoint Coal Docks, Inc.
3:30 p.m. (EST)..................................**Common**
Metropolitan Edison Co., noon (EST)..**Bonds & Pfd.**

February 23, 1950
Belt Ry. of Chicago, noon (CST)...**Equip. Tr. Ctfs.**
Virginia Electric & Power Co................**Common**

February 27, 1950
Shedd-Bartush Foods, Inc.......................**Common**

February 28, 1950
Gulf States Utilities Co., 11 a.m. (EST)...**Common**

March 1, 1950
Chicago & North Western Ry.
Noon (CST).............................**Equip. Trust Ctfs.**
Chicago, St. Paul, Minneapolis &
Omaha Ry., 11 a.m. (CST).....**Equip. Trust Ctfs.**
Kansas Gas & Electric Co.......................**Preferred**
Louisville Gas & Electric Co...................**Common**
Pennsylvania RR., noon (EST)...**Equip. Trust Ctfs.**

March 2, 1950
Canam Mining Corp.................................**Common**

March 7, 1950
Mississippi Power Co., 11 a.m.(EST)...........**Bonds**
Pennsylvania Power Co., 11:30 a.m. (EST)...**Bonds**

March 8, 1950
Virginia Electric & Power Co...............**Preferred**

March 14, 1950
New Jersey Bell Telephone Co............**Debentures**

March 20, 1950
Texas Utilities Co..................................**Common**

March 21, 1950
Appalachian Electric Power Co.......................**Bonds**

March 23, 1950
Monongahela Power Co...........................**Preferred**

March 28, 1950
Northern Indiana Public Service Co.............**Bonds**

April 4, 1950
Georgia Power Co.......................................**Bonds**

April 10, 1950
Utah Fuel Co., 11 a.m. (EST)....................**Common**

May 2, 1950
Public Service Electric & Gas Co................**Bonds**

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Consumers Power Co., Jackson, Mich.
Jan. 13 filed 454,457 shares of common stock (no par) to be offered to common stockholders of record Jan. 31 at the rate of one share for each 10 shares held, and also to be offered to employees of the company, and its subsidiary, Michigan Gas Storage Co. Rights will expire Feb. 20. **Price**—To be filed by amendment. **Underwriter**—Morgan Stanley & Co. **Proceeds**—For property additions and to repay bank loans incurred for construction.

● **Credit Acceptance Corp., Rochester, N. Y.**
Feb. 9 (letter of notification) $239,000 of 5% debenture bonds. Each $100 bond has stock purchase warrants attached to buy four shares of common stock at $2.25 per share before Dec. 31, 1951; at $3 thereafter and before Dec. 31, 1953; at $3.50 thereafter and before Dec. 31, 1954. **Price**—$95 per $100 bond. **Underwriters**—CAC Associates, Inc., Rochester, N. Y., and R. M. Horner & Co., New York. **Proceeds**—To be added to working capital.

Deardorf Oil Corp.
Jan. 23 (letter of notification) 375,000 shares of common stock par 10c), to be offered to stockholders of record Jan. 28 at 80 cents per share. Rights expire Feb. 28. Unsubscribed shares to be offered publicly at $1.12½ per share. **Underwriter**—Tellier & Co., New York City. **Proceeds**—For additional working capital. **Office**—219 Fidelity Building, Oklahoma City, Okla.

● **Debra Corp., Pocono Summit, Pa.**
Feb. 10 (letter of notification) 30,000 shares of common stock (no par value). **Price**—$10 per share. **Underwriter**—Louis Fisch, 26 Court St., Brooklyn, N. Y., President. **Proceeds**—For expansion and working capital.

● **Detroit Edison Co.**
Feb. 14 filed $35,000,000 of general and refunding mortgage bonds, series J, due 1985. **Underwriter**—To be supplied by amendment, along with offering price. Bidders for the series I issue in September, 1947, were: Coffin & Burr, Inc. and Spencer Trask & Co. (jointly); Halsey, Stuart & Co. Inc.; The First Boston Corp.; and Dillon, Read & Co. Inc. **Proceeds**—To redeem on May 15, a like amount of general and refunding mortgage bonds, series G, due 1966.

Dome Exploration (Western) Ltd., Toronto, Canada
Jan. 30 filed $10,000,000 of notes, due 1960, with interest at 1% in the first year, 2% in the second year, and 3% thereafter, and 249,993 shares of capital stock (par $1). To be sold to 17 subscribers (including certain partners of Carl M. Loeb, Rhoades & Co., State Street Investment Corp. and State Street Research & Management Co.) **Underwriter**—None. **Proceeds**—For general funds. **Business**—To develop oil and natural gas properties in Western Canada.

Duval Texas Sulphur Co., Houston, Tex.
Dec. 21 filed 375,000 shares of capital stock (no par) to be offered to stockholders at $13.50 per share at the rate of ¾ths of a new share for each share held on Feb. 14, 1950. [The United Gas Corp., owner of 373,557 shares, or 74.71% of the outstanding 550,000 shares of Duval capital stock, has agreed to purchase at the subscription price any shares of stock not subscribed for by other stockholders.] **Underwriter** — None. **Proceeds** — To be used, along with a $2,500,000 bank loan, to provide mining and milling facilities to mine potash in Eddy County, N. M. Name changed Dec. 30 by stockholders to Duval Sulphur & Potash Co. and approved by SEC on Feb. 14.

East Tennessee Natural Gas Co. (2/21)
Jan. 30 filed $2,800,000 of 5.2% series C interim notes, due April 1, 1951, and 250,815 shares of common stock (par $1). The notes and 67,200 of the common shares will be offered in units of $25 principal amount of notes and 0.6 of a share. **Price**—To be filed in an amendment. The series C notes will be payable at maturity by delivery of 112,000 shares of $25 par value preferred stock on an equal ratio basis. The other 183,615 shares of common stock will be offered by Equitable Securities Corp., Nashville, and Elder & Co., Chattanooga, after they buy in $619,500 of series A notes and $161,400 of series B notes from unnamed "selling noteholders" and convert these notes into the 183,615 shares of common stock. **Underwriters**—For the note-stock units, in addition to those named are: White, Weld & Co., New York, and F. S. Moseley & Co., Boston. **Proceeds**—Along with those from the sale to institutional investors of $8,750,000 of first mortgage pipe line bonds, due 1969, will be used for construction. Expected Feb. 21.

● **Empire Oil of Texas, Inc.**
Feb. 3 (letter of notification) 15,850 shares of capital stock to be sold to present stockholders at par ($10 per share). No underwriter. Proceeds are for treasury funds. **Office**: 403 Republic Bank Building, Dallas 1, Texas.

Fitzsimmons Stores, Ltd., Los Angeles, Cal.
Dec. 16 (letter of notification) 30,000 shares of class A common stock, of which 22,778 are to be issued in exchange for 3,254 shares of Roberts Public Markets, Inc. at the rate of seven shares of Fitzsimmons for each share of Roberts. Any additional shares not needed for the exchange will be sold at $10 each. No underwriter. **Proceeds**—For working capital.

Foster Metal Products Co.
Jan. 30 (letter of notification) 21,500 shares of common stock to be offered at $12.50 per share. No underwriter. Proceeds will be used for manufacture, sale and distribution of metal products.

Gulf Atlantic Transportation Co., Jacksonville, Florida
May 31 filed 620,000 shares of class A participating ($1 par) stock and 270,000 shares (25c par) common stock. **Offering**—135,000 shares of common will be offered for subscription by holders on the basis of one-for-two at 25 cents per share. **Underwriters**—Names by amendment and may include John J. Bergen & Co. and A. M. Kidder & Co. Underwriters will buy the remaining 135,000 shares plus unsubscribed shares of the new common. Offering price of class A $5. **Proceeds**—To complete an ocean ferry, to finance dock and terminal facilities, to pay current obligations, and to provide working capital.

Gulf States Utilities Co. (2/28)
Jan. 24 filed 350,000 shares of common stock (no par). These are part of 2,538,701 shares of authorized but unissued common stock held by the company. **Underwriters**—To be determined by competitive bidding. Probable bidders include: Dillon, Read & Co. Inc.; Lehman Brothers and Merrill Lynch, Pierce, Fenner & Beane (jointly); Stone & Webster Securities Corp.; Otis & Co.; The First Boston Corp. **Bids**—Bids for the purchase of such number of common shares as will yield an aggregate price to the company of $6,000,000 will be received at the Irving Trust Co., One Wall Street, New York, N. Y. at 11 a.m. (EST) on Feb. 28. **Proceeds**—to finance part of construction program for 1950 and for general corporate purposes.

Hawaiian Electric Co., Ltd., Honolulu
June 21 filed 150,000 shares of series E cumulative ($20 par) preferred and 50,000 shares of ($20 par) common. **Offering**—Preferred will be offered to preferred holders at 1-for-3 rate and common will be offered to common stockholders at 1-for-9 rate. **Underwriters**—Dillon, Read & Co. Inc. and Dean Witter & Co. will buy unsubscribed preferred; unsubscribed common will be sold either at public auction or to the underwriters. **Proceeds**—To pay off short-term promissory notes and to carry merchandise inventories and receivables or to replenish treasury funds. The balance would be used for other corporate purposes or construction. Expected early in March.

● **Huntington Hall Corp., Philadelphia, Pa.**
Feb. 9 filed voting trust certificates for 16,153.4 shares of no par value common stock. Voting trustees are: George E. Roosevelt, Ernest L. Davis and Clayton McElroy, Jr.

Industria Electrica de Mexico, S. A., Mexico City
Nov. 29 filed 250,000 shares of 6% cumulative convertible preferred stock, 100 pesos par value ($11.5607). **Offering**—This stock is to be offered at par to holders of common and special stock at rate of five shares for each 12 shares held, either of common or special, or a combination of both. **Underwriter**—Banco Nacional de Mexico, S. A. **Proceeds**—To reduce outstanding short-term indebtedness and for working capital. Statement effective Feb. 9.

Kansas Gas & Electric Co. (3/1)
Jan. 6 filed 82,011 shares of $4.50 preferred stock (par $100), to be issued in exchange for existing 7% and $6 preferred stocks on a share-for-share basis, with 7% preferred stockholders also receiving $5 per share in cash. Offer is to run from Feb. 7 to Feb. 28. Unexchanged portion to underwriters at $110 per share. **Underwriters**—Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane. **Proceeds**—To be used to redeem unexchanged 7% and $6 preferred shares. Expected about March 1.

Kerr-McGee Oil Industries, Inc.
Dec. 22 (letter of notification) 1,500 shares of common stock (par $1), for Dean Terrill, selling stockholder. **Underwriter**—Straus & Blosser, Chicago. **Price**—$12 per share.

Lake Superior District Power Co. (2/16)
Jan. 23 filed $2,000,000 of series C first mortgage bonds, due 1980, and 40,000 shares of $20 par value common stock (par $20). **Underwriter**—Bonds to be offered under competitive bidding; stock offered to common stockholders of record Feb. 9 at the rate of one new share for each four held, at $22.25 per share, with Robert W. Baird & Co., Inc., as principal underwriter, with rights to expire Feb. 27. **Bids**—For bonds will be received at Room 2154, 20 No. Wacker Drive, Chicago 6, Ill., on Feb. 16 at 11:30 a.m. (CST). Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Robert W. Baird & Co.; Equitable Securities Corp. and R. W. Pressprich & Co. (jointly); White, Weld & Co.; Carl M. Loeb, Rhoades & Co.; The First Boston Corp. **Proceeds**—Property additions and betterments. Statement effective Feb. 10.

Lone Star Steel Co., Dallas, Tex.
Jan. 25 filed 592,185 shares of common stock (par $1), to be offered to common stockholders on a two-for-five basis. **Price**—$4 per share. **Underwriters**—Straus & Blosser, Chicago, Ill., and Dallas Rupe & Son, Dallas. **Proceeds**—To build cast iron pressure pipe foundries (estimated to cost $1,250,000) and to discharge part of current indebtedness.

Louisville (Ky.) Gas & Electric Co. (3/1)
Feb. 8 filed 101,297 shares of common stock (no par) to be offered publicly. **Price**—To be filed by amendment. **Underwriters**—Lehman Brothers; J. J. B. Hilliard & Sons; Stein Bro. & Boyce; Almstedt Brothers; and Blyth & Co., Inc. **Proceeds**—For construction costs and working capital. Expected about March 1.

Lowell Adams Factors Corp. (2/16)
Feb. 2 (letter of notification) 50,000 shares of common stock (par 10c) and 25,000 shares of 6% cumulative convertible preferred stock (par $4). **Price**—For preferred, par; and for common, $2 per share. **Underwriter**—The First Guardian Securities Corp., New York. **Proceeds**—For working capital. **Office**—20 Pine Street, New York, N. Y.

Lowell Electric Light Corp., Lowell, Mass.
Dec. 30 filed 55,819 shares of capital stock (par $25). **Offering**—To be offered at $35 per share to common stockholders at the rate of one new share for each three shares held. **Underwriter**—None. **Proceeds**—To repay bank loans, for construction and to make further improvements.

Metropolitan Edison Co. (2/21)
Jan. 20 filed $7,000,000 of first mortgage bonds, due 1980, and 30,000 shares of $100 par value cumulative preferred stock (par $100). **Underwriters**—Names to be determined by competitive bidding. Probable bidders: Drexel & Co.; Harriman Ripley & Co. and Union Securities Corp. (jointly); Carl M. Loeb, Rhoades & Co.; Halsey, Stuart & Co. Inc. (bonds); Kidder, Peabody & Co.; White, Weld & Co. (bonds); Lehman Brothers (bonds); Kuhn, Loeb & Co. (bonds); Smith, Barney & Co. and Goldman, Sachs & Co. (jointly on preferred); Glore, Forgan & Co. and W. C. Langley & Co. (jointly on pfd.). **Proceeds**—For construction and to reimburse treasury for past capital expenditures. **Bids**—Expected to be received Feb. 21 at 12 noon (EST).

Mississippi Power Co. (3/7)
Feb. 3 filed $3,000,000 first mortgage bonds. **Bids**—Scheduled to be opened at 11 a.m. (EST) on March 7. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Equitable Securities Corp., and Union Securities Corp. (jointly); Otis & Co.; Blair, Rollins & Co. Inc. and Carl M. Loeb, Rhoades & Co. (jointly); Kidder, Peabody & Co. **Proceeds**—To finance construction program. The SEC will hold a hearing Feb. 17.

Moller-Dee Textile Corp., Wilmington, Del., and Tel-Aviv, Israel (2/20)
Dec. 7 filed 500,000 shares ($5 par) capital stock. **Underwriter**—Coffin, Betz & Co., Philadelphia. **Price, par. Proceeds**—To build a textile plant in Israel. **Business**—Cotton textiles. Expected Feb. 20.

● **Muter Co., Chicago, Ill.**
Feb. 13 filed 53,000 shares of common stock (par 50c). 50,000 shares are offered by Leslie F. Muter, President, and 3,000 are owned by the underwriter. **Underwriter**—Dempsey & Co., Chicago. **Price**—To be filed by amendment. **Business**—Radio and television parts.

● **Mutual Shares Corp., New York**
Feb. 14 filed 2,000 shares of capital stock to be offered to stockholders only. No underwriter. Corporation is a diversified, open-end investment company.

● **New Jersey Bell Telephone Co. (3/14)**
Feb. 10 filed $15,000,000 of 40-year debentures, due 1990. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co.; Shields & Co.; First Boston Corp.; White, Weld & Co. **Proceeds**—To pay off indebtedness owing to American Telephone & Telegraph Co., the parent. Expected March 14.

Omar, Inc., Omaha, Neb.
Feb. 6 filed 20,000 shares of 4½% cumulative convertible preferred stock ($100 par), of which 16,933 shares are first to be offered in exchange for 16,933 shares of outstanding 6% preferred stock at the rate of one share of 6% stock and the payment of $1 for each new share, and 120,000 shares common stock (par $1) to be reserved for conversion of the convertible preferred. **Underwriter**—Kirkpatrick-Pettis Co., Omaha, who will reoffer unexchanged and free (3,067 shares) 4½% preferred at $103 per share.

● **Otter Tail Power Co.**
Feb. 14 filed 125,000 shares of common stock (par $5). **Underwriters**—Names to be supplied by amendment and may include Glore, Forgan & Co. and Kalman & Co., Inc. **Price**—To be supplied by amendment. **Proceeds**—To retire bank loans. Expected to be issued after March 1.

Pennsylvania Power Co. (3/7)
Feb. 1 filed $3,000,000 of first mortgage bonds due 1980. **Underwriters**—Names to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; The First Boston Corp.; Equitable Securities Corp. and R. W. Pressprich & Co. (jointly); Carl M. Loeb, Rhoades & Co. and Blair, Rollins & Co., Inc. (jointly); Drexel & Co.; Merrill Lynch, Pierce, Fenner & Beane and Harris, Hall & Co. (Inc.); Kidder, Peabody & Co.; Otis & Co. **Proceeds**—To reimburse treasury for construction expenditures. **Bids**—Bids are expected to be received at 11:30 a.m. (EST) on March 6. Offering expected to be made March 7.

● **Pittsburgh Finance Building Corp., Pittsburgh, Pennsylvania**
Feb. 9 filed voting trust certificates for 29,140.6 shares of no par value common stock. Voting trustees: George E. Roosevelt, Ernest L. Davis and Oliver J. Sterling.

Power Petroleum Ltd., Toronto Canada
April 25 filed 1,150,000 shares ($1 par) common of which 1,000,000 on behalf of company and 150,000 by New York Co., Ltd. **Price**—50 cents per share. **Underwriters**—S. G. Cranwell & Co., New York. **Proceeds**—For administration expenses and drilling. Statement effective June 27.

● **Ramie Products Corp., Pittsburgh, Pa.**
Feb. 10 (letter of notification) 21,000 shares of common stock (par $1). **Price**—$3 per share. **Underwriters**—Smith, Talbott and Sharpe, Pittsburgh. **Proceeds**—For additional operating expenses.

Service Finance Co., Los Angeles, Calif.
Dec. 19 (letter of notification) 65,000 shares of common stock. **Price**—Par ($1 each). **Underwriter**—Dempsey Tegeler & Co., Los Angeles. **Proceeds**—For working capital. **Office**—607 S. Hill Street, Los Angeles.

Sharp & Dohme, Inc., Philadelphia, Pa. (2/20)
Dec. 9 filed 171,815 shares of cumulative preference stock (no par). **Offering**—Offered in exchange for 229,085⅔ shares of $3.50 cumulative convertible preference stock, series A, at rate of three new shares for each four old ones. Offer expires Jan. 19. **Underwriters**—Alex. Brown & Sons, Baltimore, and Drexel & Co., Philadelphia, who have agreed to purchase from the company up to a maximum of 86,000 shares of $4.25 preference stock which may be offered by the underwriters on or about Feb. 20. **Proceeds**—To redeem at $75 each plus accrued dividends any $3.50 preference stock not surrendered under the exchange. **Business**—Pharmaceuticals. Statement effective Jan. 3.

Shedd-Bartush Foods, Inc., Detroit (2/27)
Feb. 6 filed 140,000 shares of common stock (par $1), of which 120,000 shares are being sold by Stephen J. Bartush, President, and 20,000 are being offered by the company directly to employees. **Underwriters** (for the 120,000 shares)—Blair, Rollins & Co. Inc., New York, and Shader-Winckler Co., Detroit. **Price**—To be filed by amendment. **Proceeds**—From 20,000 shares to be added to cash balance. **Business**—Manufacturer of food products. Expected about Feb. 27.

● **Slick Airways, Inc., San Antonio, Texas**
Feb. 10 (letter of notification) $194,000 of 4% convertible income debentures, due 1957 (non-interest bearing until March 1, 1952), and 19,400 shares of common stock (par $10), into which the debentures will be convertible. **Underwriter**—Fridley & Hess, Houston. **Proceeds**—For general corporate purposes.

South Carolina Electric & Gas Co., Columbia, South Carolina
Nov. 22 filed $22,200,000 first and refunding mortgage bonds. Due 1979. **Underwriter**—Names by amendment. **Proceeds**—To redeem a like amount of outstanding bonds. Due 1979. **Underwriter**—Names by amendment (probably Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; The First Boston Corp.; Union Securities Corp.). Expected in January.

Sudore Gold Mines Ltd., Toronto, Canada
June 7 filed 375,000 shares of common stock. **Price**—$1 per share (U. S. funds). **Underwriter** — None. **Proceeds**—Funds will be applied to the purchase of equipment, road construction, exploration and development.

Teco, Inc., Chicago
Nov. 21 filed 100,000 shares ($10 par) common stock. **Offering**—These shares are to be offered to holders of common stock in Zenith Radio Corp. at rate of one share for each five held. Underwriter—None. **Proceeds**—For working capital and the promotion of Zenith's "Phonevision" device, whereby television users could pay a special fee for costly television programs by calling the telephone company and asking to be plugged in.

Texmass Petroleum Co., Dallas, Texas
Jan. 13 filed $3,000,000 of 4½% senior cumulative interest debentures due 1965; $1,200,000 of 5% junior income debentures due 1970; 32,000 shares of $5 class A cumulative preferred stock (no par), with no rights to dividends until 1956; 52,000 shares of $5 class B cumulative preferred stock (no par), with no rights to dividends until 1956; and 2,000 shares of common stock (no par), represented by voting trust certificates; to be issued under a plan of debt adjustment. Any interest payable on debentures must first be approved by RFC, which recently loaned the company $15,100,000. **Underwriter**—None. **Business**—Oil production.

● **Tri-State Auto & Home Supply Co., Inc.**
Feb. 7 (letter of notification) 5,000 shares of common stock, to be offered at par ($10 per share). No underwriter. Proceeds to increase inventory and working capital. **Office**—2918 N. 16th Street, Phoenix, Ariz.

Upper Peninsula Power Co.
Sept. 28, 1948 filed 154,000 shares of common stock (par $9. **Underwriters**—SEC has granted exemption from competitive bidding. An investment banking group managed by Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane, and Paine, Webber, Jackson & Curtis, may be underwriters. **Proceeds**—Will go to selling stockholders. Consolidated Electric & Gas Co. and Middle West Corp. will sell 120,000 shares and 34,000 shares, respectively. Hearing scheduled for Feb. 21.

Videograph Corp., N. Y. City
Feb. 2 (letter of notification) 300,000 shares of common stock (par 10c). **Price**—$1 per share. **Underwriter**—George J. Martin Co., New York. **Proceeds**—For additional working capital. **Business**—Assembles a coin operated combination television and phonograph. **Office**—701—7th Avenue, New York, N. Y. Expected end of this month.

Virginia Electric & Power Co. (2/23) (3/8)
Jan. 31 filed an unspecified number of shares of common stock (par $10) and 100,000 shares of preferred stock (par $100). The company has called for conversion March 2 $4,000,000 of its 3⅛% convertible debentures, due 1963, at 102% and interest. It will sell underwriters the number of shares of common stock equal to those not issued on or before Feb. 20 in converting the debentures. **Underwriters**—For common stock: Stone & Webster Securities Corp., Blyth & Co., Inc.; Harriman Ripley & Co., Inc.; First Boston Corp. and Kidder, Peabody & Co., New York. For preferred stock: Stone & Webster Securities Corp. may head group. **Price**—To be filed by amendment. **Proceeds**—From the common stock sale will be used to redeem unconverted debentures, and from the preferred stock sale, to finance construction. Common stock offering expected Feb. 23 and preferred stock on March 8.

Prospective Offerings

● **Alberta (Province of)**
Feb. 5 reported considering refunding callable dollar bonds and payment of its internal and sterling debt through issuance of about $60,000,000 bonds in mid-March. Probable underwriters: The First Boston Corp.

American Telephone & Telegraph Co.
Dec. 21 directors voted to make a third offering to employees of the company and its subsidiaries of up to 2,800,000 shares at a price of $20 per share less than the market price when payment is completed, but not more than $150 nor less than $100 per share.

Appalachian Electric Power Co. (3/21)
Jan. 17 announced that the company expects to file with the SEC about Feb. 17 a registration statement covering $25,000,000 of new first mortgage bonds, due 1980, to be sold at competitive bidding, probably on March 21. Probable bidders include: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Union Securities Corp. (jointly); Harriman, Ripley & Co. Inc.; First Boston Corp. Proceeds are for expansion.

● **Arkansas Louisiana Gas Co.**
Feb. 6 company reported to be considering offering of $27,500,000 new first mortgage 3% bonds, the proceeds to be used to repay $21,125,000 bank loans and to provide additional working capital. The sale of these bonds is contingent upon approval by SEC and favorable Court action on Arkansas Natural Gas Corp.'s plan to split itself into two new companies. Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp. and Lazard Freres & Co. (jointly); Union Securities Corp.; Smith, Barney & Co.; Equitable Securities Corp.

● **Arkansas Natural Gas Corp.**
Feb. 6 announced unexchanged new 3¾% preferred stock (issuable in exchange for 6% preferred stock, share for share, under proposal to split company into two units) will be sold publicly.

● **Arkansas Power & Light Co.**
Feb. 8 reported company expects to market $6,000,000 of mortgage bonds in August or September, the proceeds to be used for construction. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp. and Central Republic Co. (jointly); White, Weld & Co.; First Boston Corp.; Lehman Brothers; Union Securities Corp.

● **Belt Ry. Co. of Chicago (2/23)**
Bids will be received by the company at Room 211, 47 West Polk Street, Chicago 5, Ill., at or before 12 o'clock noon (CST) on Feb. 23 for the purchase from it of $2,832,000 equipment trust certificates of 1950, to mature serially in 24 equal semi-annual instalments beginning on Oct. 1, 1950, and ending on April 1, 1962. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harriman Ripley & Co. and Lehman Brothers (jointly); Harris, Hall & Co. (Inc.); Lee Higginson Corp.

Boston Edison Co.
Jan. 26 reported company is planning to issue $18,000,000 of first mortgage 30-year bonds due 1980, probably about the middle of April. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; First Boston Corp.; Harriman, Ripley & Co. Inc.; White Weld & Co.

Carolina, Clinchfield & Ohio RR.
Feb. 4 reported company planning sale of $3,885,000 mortgage bonds. Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp. and Kidder, Peabody & Co. (jointly); Dick & Merle-Smith; R. W. Pressprich & Co.; Harriman Ripley & Co. and Drexel & Co. (jointly). Proceeds to pay notes due to Louisville & Nashville RR. Expected late this month or early in March.

Central RR. of New Jersey
Jan. 30 reported planning sale of $3,700,000 1-to-15-year equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Harris, Hall & Co. (Inc.); Salomon Bros. & Hutzler; Harriman Ripley & Co. and Lehman Brothers (jointly). Expected in March.

● **Chicago & North Western Ry. (3/1)**
Bids for the purchase from the company of $7,065,000 equipment trust certificates, series of 1950, to be dated April 1, 1950, and to mature in either 10 or 15 equal annual instalments beginning on April 1, 1951, will be received at the office of R. L. Williams, President, in Room 1400, Daily News Building, 400 West Madison Street, Chicago 6, Ill., up to 12 o'clock noon (CST) on March 1, 1950. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harriman Ripley & Co., Inc.; and Lehman Brothers (jointly); The First Boston Corp.; Harris, Hall & Co. (Inc.).

● **Chicago, St. Paul, Minneapolis & Omaha Ry. (3/1)**
Bids for the purchase from the company of $915,000 equipment trust certificates, series of 1950, to be dated April 1, 1950, and to mature in either 10 or 15 equal annual instalments beginning on April 1, 1951, will be received at the office of R. L. Williams, President, in Room 1400, Daily News Bldg., 400 West Madison St., Chicago 6, Ill., up to 11 a.m. (CST) on March 1, 1950. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co., Inc. and Lehman Brothers (jointly); Salomon Bros. & Hutzler; The First Boston Corp.; Harris, Hall & Co. (Inc.).

● **Columbia Gas System, Inc.**
Feb. 13 announced company will ask SEC and its stockholders to authorize the issuance of preferred stock and the issuance and sale of additional common stock without first offering such shares to common stockholders. The company's program currently calls for the sale of $10,000,000 of additional common or preferred stock and $17,000,000 of debentures to finance its expansion program. Probable bidders for common stock: Shields & Co. and R. W. Pressprich & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Lehman Brothers, Goldman, Sachs & Co. and Union Securities Corp. (jointly); Morgan Stanley & Co.

● **Commercial Credit Co.**
Feb. 8 company reported to be planning issuance of $25,000,000 of new cumulative non-convertible preferred stock (par $100) following redemption of a like amount of outstanding 3.6% cumulative convertible preferred stock not taken up in conversion of 3.6% stock will be convertible into 1¾ shares of common stock. The common stock not taken up on conversion of 3.6% stock will be sold to underwriters. Traditional underwriters: Kidder, Peabody & Co.; The First Boston Corp.

Equitable Gas Co.
Jan. 19 Standard Gas & Electric Co. announced Philadelphia Co. may shortly file an application with SEC to sell its Equitable Gas Co. common stock to be outstanding following its proposed reorganization (see also Wisconsin Public Service Corp. below). Probable bidders: Lehman Brothers and Drexel & Co. (jointly); Kuhn, Loeb & Co. and Smith, Barney & Co. (jointly); W. E. Hutton & Co. and Glore, Forgan & Co. (jointly); First Boston Corp.; Harriman, Ripley & Co., Inc.

● **Gatineau Power Co.**
Feb. 6 announced courts had ordered that at least $5,000,000 of common stock held by International Hydro-Electric

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System be disposed of by trustee of latter. First Boston Corp. as financial adviser to Gatineau has been engaged to develop a plan for liquidation of International.

● **General Public Service Corp.**
March 6 stockholders will vote on plan to increase common stock from 1,000,000 shares (702,901 shares outstanding) to 2,500,000 shares. It is planned to sell 1,000,000 or more shares publicly through Stone & Webster Securities Corp. about second week in March, depending on market conditions.

Georgia Power Co. (4/4)
Jan. 17 reported company expects to file a registration statement with the SEC on March 3 covering $15,000,000 of debt securities. Bids are scheduled to be received on April 4. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); The First Boston Corp.; Union Securites Corp. and Equitable Securities Corp. (jointly); Shields & Co.; Drexel & Co.; Morgan Stanley & Co.; Harriman Ripley & Co. **Proceeds**—To finance construction program.

● **Gerber Products Co.**
Feb. 8 stockholders authorized directors to sell not more than 150,000 shares of common stock, of which 10,000 shares are to be offered to employees. Proceeds are to be used to finance a New York State plant and warehouse and to improve plant facilities at Oakland, Calif. Traditional underwriter: A. G. Becker & Co. Expected early in March.

● **Glidden Co., Cleveland, Ohio**
Jan. 9 company announced that it will offer 178,000 of the 1,816,000 treasury shares of common stock to its common stockholders on the basis of one new share for each 10 shares held at a price to be determined at a later date. The proceeds will be used to reimburse the treasury for capital expenditures and to increase working capital.

Greenpoint Coal Docks, Inc. (2/21)
Jan. 17 announced bids will be received by 3:30 p. m. (EST) on Feb. 21 for the purchase from the Attorney General of the United States, as a whole, of 2,500 shares of common capital stock (all of the outstanding stock of the corporation). Bids must be received at the Office of the Alien Property Custodian, 120 Broadway, New York 5, N. Y.

● **Gulf States Utilities Co.**
Feb. 14 reported company may offer $10,000,000 to $15,000,000 "new money" bonds later this year. Probable bidders: Halsey, Stuart & Co. Inc.; Blair, Rollins & Co., Inc. and Carl M. Loeb, Rhoades & Co. (jointly); The First Boston Corp.; Equitable Securities Corp. and Union Securities Corp. (jointly); Glore, Forgan & Co.; Kidder, Peabody & Co.

● **Hytron Radio & Electronics Corp.**
Feb. 10 reported company plans issuance of about 200,000 shares of convertible preferred stock at around $8 per share and about 400,000 shares of common stock at between $4 and $5 per share. Traditional underwriter: Barrett Herrick & Co.

● **Idaho Power Co.**
Feb. 7 T. E. Roach, President, said company plans to sell additional 4% preferred stock later this year to raise up to $4,000,000 to finance, in part, its 1950 construction program. Traditional underwriters: Blyth & Co., Inc.; Wegener & Daly Corp., Boise, Idaho.

● **Johns-Manville Corp.**
Feb. 1 announced company has made arrangements with an underwriting group headed by Morgan Stanley & Co. to take all 3½% cumulative preferred stock offered them before redemption date (March 6, 1950) at 102½ and interest (or a total of $102.84 per share) and to convert the stock so purchased into common stock on basis of one preferred share plus $15 in cash for three common shares. There are approximately 65,500 preferred shares outstanding which have been called for redemption on March 6 at 102 and interest.

● **Laclede Gas Light Co.**
On Feb. 14 stockholders voted to authorize a new issue of 480,000 shares of preferred stock (par $25), of which 160,000 may be presently issued, and on changing name of company to Laclede Gas Co. Probable bidders; The First Boston Corp. and Blyth & Co., Inc. (jointly); Smith, Barney & Co. and Goldman, Sachs & Co. (jointly); Lehman Brothers, Merrill Lynch, Pierce, Fenner & Beane and Reinholdt & Gardner (jointly); Harriman Ripley & Co.; White, Weld & Co. **Proceeds**—To be used to finance part of $20,000,000 construction program planned over the 1950-1953 period.

● **Louisiana Power & Light Co.**
Feb. 6 reported company may sell between $4,000,000 and $6,000,000 of bonds, and refund the outstanding $6 preferred stock. Probable bidders: W. C. Langley & Co. and First Boston Corp. (jointly); Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Kuhn, Loeb & Co., and Lehman Brothers (jointly); Shields & Co. and White, Weld & Co. (jointly); Salomon Bros. & Hutzler; Blyth & Co., Inc.; Harriman Ripley & Co., Inc.

● **Mississippi Power & Light Co.**
Feb. 6 reported company may be in the market in August or September with $7,500,000 mortgage bonds, the proceeds to be used to finance construction. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co.; Equitable Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane; First Boston Corp.; Union Securities Corp. In case outstanding $6 preferred stock is refunded, probable bidders are: W. C. Langley & Co. and First Boston Corp.

● **Monongahela Power Co. (3/23)**
Feb. 10 reported that the company plans to file a registration statement with the SEC about Feb. 23 covering 60,000 shares of cumulative preferred stock (par $100) to be sold through competitive bidding, bids for which are expected to be received around March 23. It is also planned to sell approximately $1,500,000 additional common stock to West Penn Electric Co., the parent. Probable bidders for preferred stock: Blyth & Co., Inc.; Drexel & Co.; Harriman Ripley & Co., Inc. and Union Securities Corp. (jointly); Carl M. Loeb, Rhoades & Co.; Kidder, Peabody & Co.; Smith, Barney & Co., and Goldman, Sachs & Co. (jointly); Glore, Forgan & Co. and W. C. Langley & Co. (jointly). Proceeds will be used for construction expenditures.

● **Mountain States Telephone & Telegraph Co.**
March 21 stockholders will consider proposal to increase authorized capital stock from 1,000,000 to 1,500,000 shares. Company plans to offer 183,918 additional shares to stockholders of record about March 27 on a one-for-five basis, the rights to expire about April 28. The proceeds would be used to repay temporary loans to American Telephone & Telegraph Co. and for additional expansion.

New York Central RR.
Feb. 7 reported that offering of $9,000,000 equipment trust certificates is expected early in April. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harriman Ripley & Co., Inc. and Lehman Brothers (jointly). Expected in April.

● **New York State Electric & Gas Corp.**
Feb. 14 announced stockholders will vote in March on increasing the authorized preferred and common stocks. Future equity capital will be necessary in connection with the construction program. Probable bidders for preferred issue: Kuhn, Loeb & Co.; W. C. Langley & Co.; Lehman Brothers and Glore, Forgan & Co. (jointly); Harrison, Ripley & Co., Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly).

● **Northern Indiana Public Service Co. (3/28)**
Feb. 8 reported company is planning sale of approximately $12,000,000 new first mortgage bonds. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Central Republic Co., and Merrill Lynch, Pierce, Fenner & Beane; Union Securities Corp.; First Boston Corp.; Harriman Ripley & Co., Inc.; Equitable Securities Corp. Proceeds to be used to pay for construction costs. Registration expected about Feb. 23 with offering about March 28.

Northern Natural Gas Co., Omaha, Neb.
Jan. 20 announced that the company proposes to issue and sell at competitive bidding $40,000,000 of 2¾% 20-year debentures and to sell 304,500 shares of common stock on the basis of one share for eight shares now outstanding, the latter to supply from $9,060,000 to $10,657,500 of new capital. The net proceeds, together with other funds, will be used to finance the company's construction program. Probable bidders for the debentures: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp.; Kidder, Peabody & Co.

● **Ontario (Province of)**
Feb. 5 reported that steps may be taken late this year to refund the sizable volume of debt coming due in 1951 and 1952.

● **Pacific Gas & Electric Co.**
Feb. 8 company announced its plans to issue and sell 1,656,156 shares of common stock to common stockholders about March 20, 1950, at the rate of one new share for each five shares owned. The subscription period is expected to close April 5, 1950. The offering will be underwritten by a nationwide group of underwriters probably headed by Blyth & Co., Inc. The proceeds are to be used for expansion.

● **Pacific Intermountain Express Co.**
Jan. 23 announced company plans offering of 69,768 shares of additional common stock to its stockholders on a one-for-three basis at $16 per share. It is expected that new shares will be issued before March 20, subject to ICC approval. Traditional underwriter: Mitchum, Tully & Co.

● **Pacific Power & Light Co.**
Feb. 3 SEC approved offer of $16,125,000 for company's 500,000 common shares outstanding which was made by a group headed by A. C. Allyn & Co., Inc., and Bear, Stearns & Co.

● **Pennsylvania Power & Light Co.**
Jan. 26 company announced that it may be necessary to issue sometime this year about $18,000,000 of new securities (probably preferred and common stock) to finance balance of 1950 construction program. Traditional underwriters: First Boston Corp.; Drexel & Co.

● **Pennsylvania RR. (3/1)**
Bids will be received by the company at Room 1811, Broad Street Station Bldg., Philadelphia 4, Pa., at or before 12 o'clock noon (EST) on March 1 for the sale by it of $10,200,000 equipment trust certificates, series Y, to be dated Jan. 1, 1950, and to mature in 15 annual instalments of $680,000 from Jan. 1, 1951 to Jan. 1, 1965. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harriman, Ripley & Co. Inc. and Lehman Brothers (jointly); Harris, Hall & Co. (Inc.); First Boston Corporation.

● **Public Service Electric & Gas Co. (5/2)**
Feb. 7 announced company plans to offer $26,000,000 refunding mortgage 30-year bonds. **Underwriters**—Names to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. and Drexel & Co. (jointly); Kuhn, Loeb & Co. and Lehman Brothers (jointly); First Boston Corp.; Union Securities Corp. and White, Weld & Co. (jointly). **Proceeds**—To refund 3¼% bonds due 1966. Expected about May 2.

Schering Corp.
Jan. 26 announced the Alien Property Custodian is preparing to offer at competitive bidding 440,000 shares of common stock (total issue outstanding) late in March or early in April. Registration with the SEC expected shortly. Probable bidders: A. G. Becker & Co. (Inc.), Union Securities Corp. and Ladenburg, Thalmann & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co.; F. Eberstadt & Co.; Allen & Co.

Seaboard Air Line RR.
Feb. 7 directors appointed a committee to proceed with the refunding of the approximately $31,800,000 outstanding first mortgage bonds, provided satisfactory terms could be arranged. Probable bidders include Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Lehman Brothers; First Boston Corp. and Harriman Ripley & Co. (jointly); Union Securities Corp.

Staten Island Edison Corp.
Feb. 1 SEC announced a decision granting the request of General Public Utilities Corp. for exemption of its proposed sale of its entire holdings of 325,000 shs. of Edison common stock from the requirements for competitive bidding. GPU has accepted offer of $10,720,000 from Consolidated Edison Co. of New York, Inc., for the Edison Stock, according to a joint announcement on Feb. 8.

● **Sunray Oil Corp.**
Feb. 13 it was announced that this corporation has agreed to purchase Atlas Corp.'s holdings of about 730,000 shares of Barnsdall Oil Co. capital stock for more than $42,000,000, equal to $56 per share. Atlas would also receive the optional right to buy from Sunray all or any part of 750,000 shares of that company at $12 per share. This right would be good until Dec. 1, 1950. Talks of merger of Sunray and Barnsdall are said to be going on. Eastman, Dillon & Co. are bankers for Sunray.

● **Texas Power & Light Co.**
Feb. 13 reported planning permanent financing probably to extent of $7,000,000 of bonds before August, 1950. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc.; Kidder, Peabody & Co. and Smith, Barney & Co. (jointly); W. C. Langley & Co. and Glore, Forgan & Co. (jointly); Carl M. Loeb, Rhoades & Co. and E. H. Rollins & Sons (jointly); Union Securities Corp.; Drexel & Co. and Hemphill, Noyes & Co. (jointly); Lehman Brothers; Salomon Bros. & Hutzler. Funds will be used to finance construction costs.

● **Texas Utilities Co. (3/20)**
Feb. 14 announced company will, on or about March 20, 1950, receive competitive bids on 400,000 additional shares of its common stock. Probable bidders: Blyth & Co., Inc.; and The First Boston Corp. (jointly); Lehman Brothers; Dillon, Read & Co. Inc.; Union Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); First Southwest Corp.; Rauscher, Pierce & Co. and Dallas Union Trust Co. (jointly). **Proceeds**—To raise part of funds needed by subsidiaries for their construction purposes.

Utah Fuel Co. (4/10)
The referee will offer at public auction at 11 a.m. on April 10 all of the 100,000 outstanding shares of stock of this corporation at the Guaranty Trust Co. of New York, 140 Broadway, New York. **Business**—Mining of coal in Utah and Colorado and manufacturing of coke in Utah and sale of said products.

● **West Coast Transmission Co., Ltd.**
Feb. 10 reported that Eastman, Dillon & Co. and the First Boston Corp. were ready to underwrite the financing of the 1,400 mile pipe line proposed by the West Coast Transmission Corp., along with Nesbitt, Thomson & Co., Ltd., of Montreal, Canada, and Wood, Gundy & Co. of Toronto, Canada. The financing would be divided 75% to bonds and the remainder to preferred and common stock. A large amount of the bonds are expected to be taken by life insurance companies. Arrangements will be made to place in Canada part of the securities. It is expected an American corporation will be formed to construct and operate the American end of the line in Washington, Oregon and California. The completed line, it was expected, will cost about $175,000,000.

Western Maryland Ry. (2/20)
Bids for $2,460,000 equipment trust certificates, series N, will be received by the company on Feb. 20 at 11 a.m. (CST). They will be dated March 15, 1950 and will mature annually on March 15, from 1951 to 1965. Probable bidders: Halsey, Stuart & Co. Inc.; Harris, Hall & Co. (Inc.); Salomon Bros. & Hutzler; Harriman Ripley & Co. and Lehman Brothers (jointly); Lee Higginson Corp.

Wisconsin Public Service Corp.
Jan. 19 announced Standard Gas & Electric Co. would shortly file an application with the SEC to sell all the common stock of the Wisconsin subsidiary, and the Philadelphia Co., its principal subsidiary, will ask the SEC for permission to sell the common stock of Equitable Gas Co. to be outstanding following its proposed reorganization (see Equitable above). It is the intention of the System to sell only one of these holdings. Probable bidders for Wisconsin stock: First Boston Corp. and Robert W. Baird & Co. (jointly); W. E. Hutton & Co. and Glore, Forgan & Co. (jointly); Harriman, Ripley & Co.

Continued from page 14

Mutual Funds

be rare, however. When the disbursement is made, the burden of proof will be on the investment company to show its good faith in the absence of a ruling governing like cases, etc.

(c) **Dividends From True Income.** An investment company which carries out its purposes and functions properly will declare, as accurately as it can, its true net income for the current year as a dividend. There will be no deliberate withholding of income for distribution in some future year. What is income for distribution will be judged by the rules of the Internal Revenue Department.

As a result of the Investment Company Committee hearing in New York on Oct. 25, you are advised further (a) that this department will not, in the future, approve any prospectus, report to stockholders, or sales literature that includes a column headed by "Total Dividends" which horizontally adds dividends from true income and any other distribution; and (b) that the annual report of an investment company should contain such matters as are factual with respect to the condition of the investment company. The inclusion of material describing (a) the advantages of the company as a medium of investment; or (b) the quality of its management; or (c) the printing of the report in colors or on a more elaborate scale than necessary to deliver the message of a factual report; is an expense which should not be paid by the shareholder but by the distributor as sales material.

Respectfully yours,
Department of Securities
Edward J. Samp,
Director.

* * *

Mutual Shares Corp. Offers

Mutual Shares Corporation of New York filed with the Securities and Exchange Commission on Feb. 14 2,000 shares of capital stock to be offered to stockholders only. There will be no underwriter. Mutual Shares is a diversified open-end investment company.

Group Securities Analyzes January Set-Back

Group Securities, Inc., in its Summary of the Investment Report to the Board of Directors, stated that:

"Notwithstanding the fact that January witnessed the first important set-back in stock prices that occurred in the past seven months, month-end prices of 'blue chip' issues reached a new high since 1946. Both this reaction and the advance deserve comment.

"The reaction, while perhaps long overdue, was to some extent a direct result of Government 'money management.' To offset the inflationary implication of the President's budget message, the Federal Reserve Board and the Treasury apparently felt it desirable to take certain mild but definitely recognizable deflationary actions. These actions were sufficient reason at that point to give the market pause.

"The subsequent advance to the month-end high would appear to reflect not only a returning belief that the over-all Government policies will continue to lean toward inflation, but also the continued appeal of the high current yields available from common stocks. These returns continue in the face of very low yields obtainable in high-grade bonds.

Business News Good

"Confidence that present high dividend rates can be maintained on balance, and even increased in certain instances, is being strengthened by the favorable business news. Outstanding in this news is the new high level of electric power production, steel production at close to capacity, forecasts of continued peak production of automobiles and the operation of the building industry at a high level. Even the coal situation, the outstanding blot on the business picture, seems to be fast approaching a settlement."

Keystone Graphs 50 Years of Economic Behavior

Keystone Custodian Funds, whose assets at market value reached a new record of $196,000,000 at the end of 1949, has issued a Special Mid-Century Edition of The Keystone Investor for the February issue. The booklet charts various measures of economic activity for the past fifty years, featuring industrial production, corporate profits, national income, accumulated savings, consumer prices, and, of course, the Dow-Jones Industrial Average.

From 1900 to 1950, industrial production increased from 25 to 175 (1935-39=100), national income rose from about $17 billion to $220 billion, accumulated savings increased from about $22 billion to $175 billion, and the dollar depreciated from $1.00 in purchasing power in 1900 to 35c in 1950. These graphs should present, for Mutual Funds, strong selling arguments to people who have liquid savings, and no experience in securities investment—92% of the people in the $3,000-$7,000 income bracket, for example.

For the curious observer, there can be no better demonstration of economic behavior than these graphic representations of our nation's economic growth.

The booklet also quotes President S. L. Sholley's statement before the Joint Committee on the Economic Report. The statement is concerned with the lack of balance in the flow of savings between debt and equity investment, and, in this critical year, when capital formation is slackening, the speech certainly bears reading carefully. Copies of the statement are available upon request.

Delaware Fund Assets Jump

Delaware Fund, Inc., spotlights its remarkable growth from net assets of $1,985,982 in June, 1949, to $3,701,323 in December, 1949. Outstanding shares rose from 165,451 to 260,672 for the same period.

And this rapid growth is continuing. On Feb. 2, net assets reached $4,084,315 and shares outstanding totalled 260,672.

1950 Forecast Favorable

W. Linton Nelson, President of Delaware Fund, Inc., forecast for 1950 in his letter to stockholders that, "Opportunities for profitable investment will appear in 1950 despite intermittent misgivings which people will have during the year. We anticipate that earnings and dividends of America's leading corporations will approximate those of 1949. With this background, the increasing amount of money seeking income in 1950 could produce higher security prices — particularly in view of the limited supply of new investment securities which will be available.

"We believe that American industry has amply demonstrated its virility by recuperating so readily from the shock of transition from a wartime to a so-called cold war economy. Its expansion into new fields of enterprise, giving more things to more people for less money—which is the greatness of America—cannot be long halted by anything we now see on our horizons."

Annual meeting of stockholders will be at Wilmington, Delaware on April 18, 1950.

Putnam Fund Booklet

Putnam Fund, Inc. is using a fresh approach in their latest booklet, entitled "For Investors from Park Avenue to Main Street." The features of Mutual Funds are highlighted and the copy should make Mutual Funds understandable to the public, something not always done very well in Mutual Fund promotional material.

Our Reporter's Report

Now that the Treasury, through the terms of its current refinancing program, has cleared the air somewhat and appears to be formulating a definite pattern of interest rates, underwriting interests are hopeful that investors will give more attention to unsold portions of some recent offerings.

The trade has been given to wondering just what might be needed to assist in moving this backlog of unsold issues, which while not particularly bothersome, is none-the-less irritating.

The new American Telephone & Telegraph debentures are still to be had at the offering price, though the vast bulk of this enormous undertaking has been placed. And the same is reported true in the cases of the Rock Island's consolidation loan and that of Niagara Mohawk Power's recent emission.

Investment bankers naturally are hopeful that this backed-up material will move out before the oncoming weeks bring new corporate undertakings, now on the back of the stove, to the actual offering stage.

March Prospects Better

Although the balance of the current month is not expected to bring anything in the way of important new corporate offerings, March promises to bring decided improvement in the flow of new issues.

Aside from the sale of $2,000,000 of Lake Superior District Public Service Co. bonds, slated for today, only two important deals are ahead for next week. Subscription "rights" expire Monday on Consumers Power Co.'s offering of 454,457 shares of additional common to its shareholders, and bankers will take up any unsubscribed portion.

On the same day, Sharp & Dohme Inc.'s exchange offer of 171,815 shares of cumulative no par preferred to holders of its $2.50 convertible preferred will be terminated and unexchanged stock taken up for public offering.

On Feb. 23, Virginia Electric & Power Co., will sell to underwriters common stock accruing from non-conversion of its $4,000,000 of convertible debentures called for conversion or redemption, plus 100,000 shares of $100 par preferred.

Columbia Gas Plans

Columbia Gas System, making public its operating results this week, disclosed that it contemplates raising of some $27,000,000 of additional capital in the near future.

The company's present plan is to raise part of this amount, $17,000,000 through the same of debt securities, probably a debenture issue.

The balance, it hopes to raise through the sale of preferred, or common stock, or perhaps a combination of both. It is moving to create a new preferred issue for the purpose.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Sentiment for deep excise tax reductions and to blazes with making a pass at getting compensating revenues, is sweeping the House with epidemic force.

It is reported firmly that "there isn't a ghost of a chance" that excise tax reductions will be held to the six recommended by the Treasury and the White House. Instead, it is said, the outlook is for a cutting back of the rates and level of excise taxes to prewar. This, some sources think, would reduce Treasury revenues by about $2¼ billion.

One who reportedly does not think so is Leon Henderson, former OPA Administrator. Mr. Henderson has been engaged by an organization fighting for tax relief to demonstrate that lowered excises will actually so stimulate production and trade as to leave the Treasury in as good a position as before. It was Mr. Henderson who convinced the Administration, not unwilling to be convinced, that raising wages wouldn't cause inflation. If he can sell one thing, maybe he can sell another.

Tax loopholes will be closed only on "non-controversial" subjects, perhaps a piddling $100 million or so, and there is no thought of any corporation income tax increase.

That is the present mood. When it is suggested to members that a Presidential veto might deflect upon them the blame for the sad state of the Treasury's finances, the members reply by saying they aren't worried. They would like to see the President try to harvest any votes out of vetoing a popular tax reduction in an election year.

* * *

The Republican "liberals" after offering bills of their own in the form of a bait of two to three billions for cooperative housing, are beginning to lose their ardor for this proposition, now that it is about to become a reality.

That is why they, along with a couple of Republican conservatives and a couple of Democratic conservatives, voted for a motion in the Senate Banking Committee to delay a final vote on the $2 billion cooperative housing bill until after the committee could get, on Feb. 23, the views of Chairman Thomas B. McCabe of the Federal Reserve Board as to whether the bill was or was not inflationary. The motion was made by Senator Charles W. Tobey of New Hampshire, a "liberal" Republican.

Ostensibly the reason for postponing the fatal day of the final vote was that so many Republicans were about to go around the country making speeches about Abraham Lincoln that it was not wise to settle such an important issue until they got back. However, they were there then. The boys are beginning to back away from this proposition and want to stop, look, and listen.

It is yet too early, however, to say that this newest housing subsidy can be killed. It is one of the things the President really wants enacted this year, and it has a lot of steam behind it.

* * *

Here and there the word is trickling back that the rank and file of union men are not nearly as interested in pensions as one would suppose from the enormous attention given to this demand by the big union bosses. Actually, except for a minority of older workers, the majority are interested in sickness and other insurance, and not in pensions which a long time hence they may receive.

Incidentally, the Chrysler strike, it is reported, has been informally one of "planned" duration. The union knows that it will have to give in somewhere, and cannot accept a compromise until after the union men have been out long enough to feel a little poor and in a mood to accept something less than is asked for.

* * *

If the U. S. Chamber of Commerce can sell its idea that what is needed is not an amendment now extending the reporting, proxy, and insider trading rules of the SEC, as proposed in the Frear bill, but instead a comprehensive examination of the securities laws, this presents a practicable way of holding up action this year on the Frear bill.

The U. S. Chamber idea appears to have possibilities because there is an understanding in Congress that equity capital is hard to get and that SEC "red tape" has something to do with this shortage of venture money.

* * *

Behind the move to kill legislation legally authorizing the use of delivered pricing systems is the strategy of seeking to delay a more or less routine motion by the House in the hopes that "liberals" can beat the demagogic bushes meanwhile to scare off this proposition.

It is now believed that if the routine motion of getting the House, which already has adopted a delivered pricing legalization bill, to send to conference the Senate bill for reaching an agreement on differences, can get to a vote, then the bill will be OK'd and pass. The Administration seems to have no objection, and the House would also OK it.

Some of the same "liberals" who believe it is an evil to thwart the "will of the majority of Congress" to bottle up public housing and "civil rights" bills, see no evil in obscure tactics to keep the House from voting on this problem.

* * *

Senator J. William Fulbright, (D., Ark.) after all got his $50,000 to "study" NOT "investigate" the RFC. When it was indicated to Senator Scott Lucas (D., Ill.) the Majority Leader, that Fulbright would not "witch hunt" the RFC, Lucas let it go through. Fulbright, however, is a persistent man with some convictions, and of this "study" there may be more news in the future.

* * *

Although it isn't yet available for public scrutiny, you soon will be hearing of the Maybank bill for a fresh approach to the problems of small business, technical aid, development of world resources and the promotion of world prosperity, the accomplishing of technical aid for underdeveloped areas, housing, surplus disposal, procurement of scarce strategic materials, and the promotion of American investment abroad.

While Maybank is probably the chief author of this proposition, it is intended to enlist behind it as many as possible of the two dozen Senators, Republican and Democrat, "black" Republicans and "pink" Republicans, conservative Democrats and radical Democrats, who several months ago sponsored the forerunner of this bill, the then proposed "Veterans Economic Development Corporation act."

This bill bears only the smallest relationship to its predecessor, which was designed primarily to help veterans get established in their own small businesses.

What Senator Maybank has done, along with those who are cooperating with him on this proposal, is to show what a truly bold imagination and sure determination to solve a number of problems simultaneously can do. Instead of being inhibited by the usual legislator's penchant for dealing with broad problems piecemeal, what this author has proposed to do, is to deal with all problems at once, through the creation of a single over-riding agency.

The agency in question would be the "Economic Development Corporation."

This agency is created for the purpose of promoting small business, to make possible maximum use of industrial plant facilities in the United States and abroad, to assist persons in useful enterprises abroad, to attract profitable investment in those business, professional, etc. lines which do not now attract sufficient capital, to facilitate the establishment and expansion of "necessary and useful" public projects at home and abroad, to help veterans, to help assure the U. S. of necessary and critical materials including foreign production thereof, to guarantee foreign investments of Americans, and to carry on technical aid.

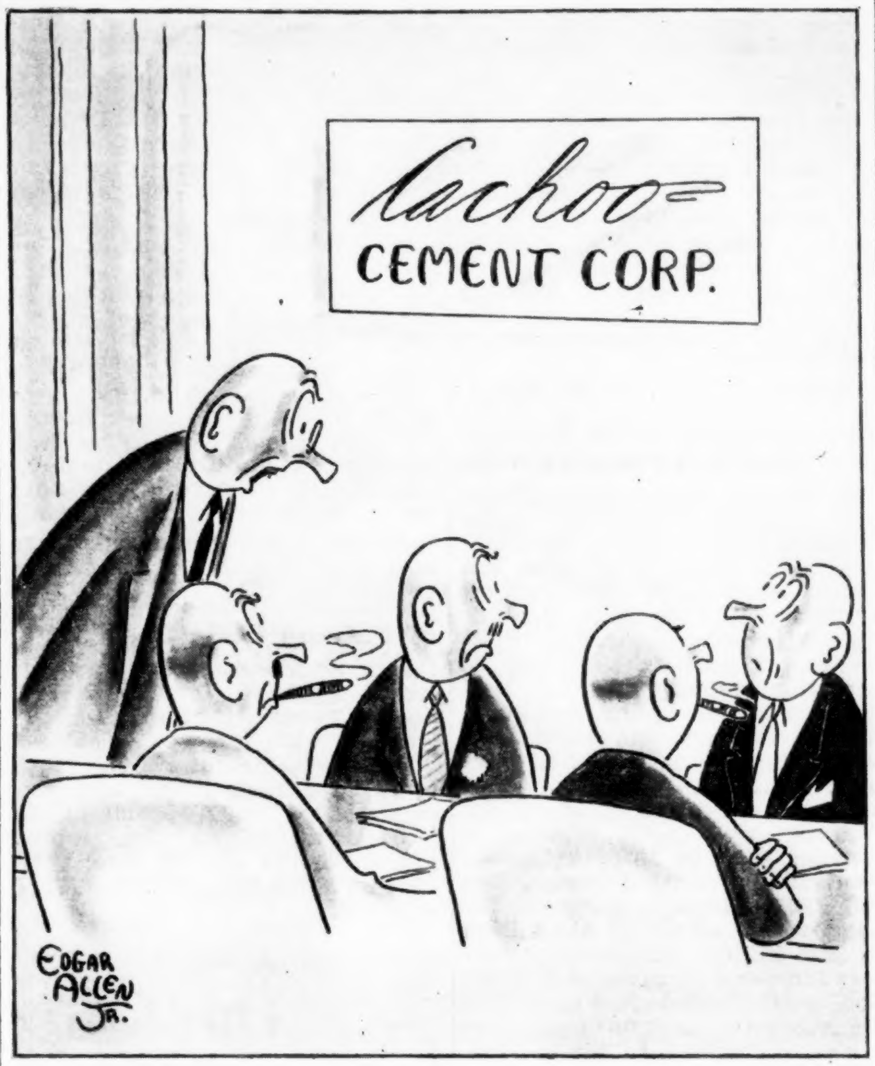
Thus, in a nutshell the bill incorporates, among other things, all phases of "Point IV", of aid to friendly countries to succeed the Marshall plan, assistance to veterans, and a broad approach toward small business.

In respect to the latter issue, the bill does not limit the proposed corporation to certain maturities where collateral is not adequate, but simply and directly leaves the entire solution up to the corporation. Thus it lacks the inhibited, timorous approach of current bills for government aid to small business, like the Lucas bill.

On the other hand, Senator Maybank and his colleagues do not propose to let the government operate any of the plants its financing would broadly assist.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ



"Just WHAT do you mean, Perkins—'If we put our heads together, we can make a stronger cement'?"

Cattier Heads Div. of ECA Mission

WASHINGTON, D. C.—The appointment of Jean Cattier, New York investment banker, as Chief of the Financial Division of the ECA Mission to Western Germany and Financial Adviser to the United States High Commissioner in Germany, was announced by ECA Administrator, Paul G. Hoffman.

Mr. Cattier is a partner of White, Weld and Co., New York, a firm with which he has been associated since 1930. It is expected that Mr. Cattier will take up his functions on or about March 1, at which time he will resign from general partnership in White, Weld and Co., to become a special partner.

He entered the U. S. Army as a private in 1942 and was separated from the service in 1945 with the rank of Major.

Mr. Cattier, a native of Brussels, Belgium, became a naturalized citizen in 1942. He is married and has two daughters and lives in Locust Valley, L. I.

In his new post, he will be responsible for advising the U. S. High Commissioner and the ECA Mission Chief on all question of internal financial policy and will participate in negotiations on financial matters and advise the West German Government on fiscal problems.

With King Merritt & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CAL.—Archibald R. McDonald has become affiliated with King Merritt & Co., Chamber of Commerce Bldg.

Sutro Co. Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—William F. Ackerman has been added to the staff of Sutro & Co., Van Nuys Building.